

Tram Project Board: February 2006

Project Director – Trams (TPD) Executive Summary

1. TEL and TPB Project Governance:

Resolution of Governance and DAR's are to be confirmed.

The existing TPD DAR's are included as attachment 1.

Written instructions between all parties are required.

2. Project Funding:

No final determination regarding financing has been made.

Documentation is being prepared inclusive of construction finance facility.

3. Project Master Programme:

Changes to the Strategic Design Principles will require change control processes to be undertaken.

Re-authorisation of strategic design principles (Agenda Item 6) is sought.

Re-authorised: _____

The SDS design contract Requirements Definition phase change order removing phases 2 and 3 has been issued and Phase 1b is back-ended in the design process.

The Design Working Group is now actively involved in the development of the design with SDS. Its membership has been stream-lined.

4. OJEU for Infraco:

The Infraco OJEU has been released.

Significant market response has been received.

5. JRC and Financial Modelling:

JRC modelling is a critical path item – it remains on programme.

6. Safety Plan & Issues:

TSS has been appointed as Planning Supervisor under CDM.

TPD has approved SDS method statements for site investigation in accordance with procedures.

Development of the tie Corporate Safety System utilising TSS resource continues.

TPB is advised that there have been no LTI's on the tram project in the last month.

TPB is advised that tie will engage David Thornton of HMRI to provide Director input regarding safety matters commencing Monday 20th February, 2006.

7. Tram Project Accommodation

SE agreement to proceed on the City Point office has been received

TPD's expectation of the entry date to the project office at City Point is end-March 2006.

TPD advises that material improvements on the critical procurement interface have occurred since partial SDS co-location at Verity House.

8. CEC Protocols:

Protocols between the project and the CEC are being developed as a priority.

A paper is attachment 2.

9. Tramco Bidder Selection:

The evaluation process for Tramco Bidders is approaching completion and the expectation is that a paper recommending our four preferred bidders will be released on Friday.

Transdev Monthly Report: copy attached as Attachment 3.

Attachment 1: DAR's

Attachment 2: CEC Protocols

Attachment 3: Transdev Monthly Report

Tram Project Board

Remit

DRAFT – FOR APPROVAL BY TIE BOARD AND TPB

1. What is the Tram Project Board?

The Tram Project Board is a body consisting of the key stakeholders who have influence in facilitating the development and delivery of the Tram Project. These key stakeholders include tie, CEC, SE, TEL, Lothian Buses and Transdev. The Board will also include a representative from PUK. The TPB exists to “champion” the best interests of the Tram project.

The tie Board will delegate substantial decision making to the TPB – these responsibilities and those retained by the tie Board are described in section 5. In turn, the TPB will delegate authority to the Tram Project Director. He or she will then create delegated authorities to operate day to day within the tram team.

The TPB remit is approved by the tie Board.

2. Membership

Core	Deputy
Non-Executive Chairman – Gavin Gemmell	tbc
Michael Howell, CEO, tie	Graeme Bissett, FD, tie
Tram Project Director, tie	Tram Deputy Project, tie
CEC senior representative	tbc
Head of PTMIT, SE	tbc
TEL CEO Designate / LB CEO	tbc
Transdev Project Director (Observer)	tbc
James Papps, PUK (Observer)	tbc
TEL NXDs (^)	n/a

Commentary

In due course, the Chairperson would be either the Chair of TEL or a NXD of TEL, probably to be crystallised when TEL takes on formal project responsibility from tie (see below). The prospective TEL Chairperson and NXDs would be invited to the TPB meetings as observers until TEL takes over.

Attendance as deputies by persons with lower authority levels than those stipulated above should be by exception only to ensure the TPB remains a senior level body.

Attendance by specialist members of respective operational teams – eg for tie the Project Finance and Communications leaders – may be appropriate, but the TPB must avoid the tendency to over-populate its meetings.

(^) Observer

3. Vision

To be agreed by the TPB in an initial session to ensure all parties have a clear shared view of the Project objectives, the remit of the TPB and practical working issues.

It is particularly critical that limiting factors are acknowledged by all members of the TPB at the outset. These include the need to handle parliamentary processes effectively ; the need for rigorous coordination of activities with consequential impact on other aspects of the project or on other parties' interests ; and the need to ensure that particular parties' interests do not drive up cost.

4. Frequency

The TPB will meet monthly. The Chairperson may change the frequency of the meeting.

5. Responsibilities and delegated authorities

5.1 tie Board

The intent is that the TPB will take over most of the authority vested in tie Limited through approved delegated authorities, whilst retaining ultimate overall control of the project and retaining the ability to restructure or disband the TPB. The delegated authorities are described in the attached document, while a companion schedule sets out the precise delegated limits.

These arrangements will change when the tie Board hands over formal responsibility to the TEL Board, who will inherit the responsibilities set out in the delegations. At that point, the tie Board's responsibilities will be focussed on delivery under contract to TEL (see below).

The tie Board, at its discretion, may delegate any aspect of its responsibilities to the tie CEO, who may take the actions he considers necessary through his delegate or through the tie Executive Board.

5.2 Tram Project Board

- 5.2.1 Members of the Project Board are required to “champion” the best interests of the Tram project within their respective organisations.
- 5.2.2 Members of the Project Board are expected to identify any potential hurdles to the project from their organisation’s perspective. They are then responsible for trying to resolve this within their own organisation on a proactive basis. It is recognised that the Project Board cannot legally bind the organisations represented unless this is explicitly accepted. However, it is expected that the Board members will have the authority to take decisions which will be effected by their respective organisations as appropriate. It is also expected that the members will take effective steps to manage any issues of dispute in a manner which does not impede progress or result in undue cost.
- 5.2.3 The Project Board can make recommendations to the tie Board with respect to the ongoing governance arrangements of the project to ensure its effectiveness through implementation of the project. This may result in changes to this remit.
- 5.2.4 The Project Board can make recommendations to the tie Board with respect to the ongoing Project Management arrangements to ensure progress to timetable is maintained.
- 5.2.5 The Project Board can make recommendations to the tie Board with respect to major changes to scope, cost & programme.
- 5.2.6 The Project Board can approve changes of scope, budget & programme within its Delegated Authority Rules.
- 5.2.7 The Project Board should ensure that effective mechanisms are in place to manage the project and in particular that :

5.2.7.1 Rigorous controls over expenditure are in place and being operated effectively, including monthly comparison of expenditure and outputs against budget

5.2.7.2 Effective change control processes are in place and are operating effectively, both within the delegated authority limits provided to the Project Director and between the Project Director and the Project Board

5.2.7.3 Effective risk management procedures are in place

5.2.8 The Project Board will approve a) the procurement strategy ; b) procurement steps and award of all contracts except the main work(s) contract(s) ; and c) publication of OJEU and invitation to tender for main works contract ; in accordance with the Delegated Authorities

5.2.9 The Project Board will ensure that a process is in place for Stakeholder communication and will monitor its progress. This will encompass public consultation and external communication in relation to the parliamentary process.

6. Interface with Other Groups

Tram Project Director – a designated individual within tie will be the Tram Project Director responsible for all aspects of the project, including, but not restricted to, procurement ; design ; development of business cases and funding sources (including funding from CEC and SE) ; parliamentary process and management of secondary legislation (TROs) ; public consultation and external communication ; land and property acquisition and construction. These responsibilities incorporate the management of the interests of and relationships with

Transdev, Lothian Buses, Network Rail, other stakeholders (such as BAA and Forth Ports) and all advisers.

It is the responsibility of the Tram Project Director to report regularly and comprehensively to the TPB on programme, scope / quality and cost.

CEC – the tie Board and not the TPB is the direct interface with CEC as its shareholder and as scheme Promoter.

The Tram Project Director will ensure that a dedicated member of the tram project team is responsible for the operational interface with CEC on matters including traffic management, planning, public consultation and external communication , legal and financial matters.

CEC will create a new post for a dedicated responsible person who will report to the Director of City Development and who will be the direct interface with the appropriate person in the tram project team, as set out in the previous paragraph. This CEC appointee will be responsible for ensuring that CEC’s interests in matters including traffic management, planning, public consultation and external communication , legal and financial matters are properly coordinated and represented in operational dialogue with the tram team.

SE – as the principal funder to the project will be expected to focus its interests and requirements through the TPB. It is acknowledged that there will be a requirement for parallel discussions with CEC, tie Board and other parties but it is requested that discussion on key issues is channelled through the TPB.

TEL – in the period prior to TEL’s formal acceptance of responsibility for the tram project from tie Limited, it will be the responsibility of the Tram Project Director, working with the TEL CEO Designate, to ensure that service integration activity is effectively handled under the legal auspices of TEL. This activity will include dialogue with other transport operators, but at this stage it is not anticipated that these parties would have representation with the TPB. This may change in the future if effective integration agreements are designed.

7. Change control process

This is a critical area which requires careful definition. The change control process relating to the TPB and the definition of delegated authority by the TPB to the Tram Project Director are two sides of the same coin and the documentation needs to reflect this. The concept of creating a Project Definition Statement to support this process has merit and will drive a decision-making culture at an early stage.

The tram project team has an established change control process which needs to be related to the delegations it enjoys through the Tram Project Director from the TPB.

It is particularly important that matters which require approval by Council departments of the full Council are clearly accommodated in the procedures. The Tram Project Director has responsibility to develop these procedures in collaboration with CEC.

8. Voting & Escalation

The TPB is not a legal entity, but has powers delegated to it by the tie Board, which in turn is legally empowered under its Operating Agreement with CEC.

The TPB Chairperson is responsible for seeking so far as possible that a workable consensus on all key issues is achieved within the group. Where this cannot be achieved, each person on the board has one equal voting right. Members, speaking on behalf of their respective organisations, have the right to reserve their position where there is dispute but will be expected to take effective steps to resolve any such dispute.

The TPB is a critical element of the project governance process. It is necessary and reasonable to assume that members will act in the interests of the project, unless there is an important conflict with the interests of their respective organisations. Any such conflicts should be addressed at the operational level so far as possible, under the direction of the Tram Project Director. In the event that the conflict cannot be resolved at operational level, it is the role of the TPB

Chairman to determine how best to manage the matter, including the process of meetings, dialogue etc required to reach a resolution.

The Chairman of the TPB will be responsible for ensuring that disputed matters are managed effectively including communication with and involvement of the tie Board and other key stakeholders.

9. Tie Limited handover to TEL

This needs to be closely controlled to ensure continuity of experience and of processes and also to ensure that there is no duplication of reporting lines. In the period until tie hands over to TEL, TEL requires to be populated at Board and senior management level and the TPB should take an active role in ensuring that this process is handled effectively.

It makes sense to select a date when there is a substantive change in the project's progress. The main options are :

- Handover at the point of OBC approval in Spring – Early Summer 2006
; or
- Handover at the point of FBC approval and financial close on vehicle and systems contracts (late 2006 – early 2007)

It is important that TEL's role as "single economic entity" is borne in mind. At this point, tie Limited's relationship with the project will change structurally but tie Limited will retain full delivery responsibility, contracted to TEL, and will therefore be able to minimise the actual level of disruption to the delivery process.

1. INTRODUCTION

This procedure details the principles and rules under which the tie Board, Tram Project Board (“TPB”) and Tram Project Director exercise and delegate authority over budgetary control, capital cost commitments, expenditure and the key milestones in relation to the Tram Project. The Tram Project Delegated Authority Rules (“Tram DARs”) are detailed in the matrix in Appendix 1. Section 2 below gives an explanation of the terms used in developing the matrix. Section 3 describes the principles of the Tram DARs.

In order to provide proper control over spending and commitment within the authority provided to the Tram Project Director, he will require to prepare and have approved by the TPB a set of delegated authority rules (“the Tram Project Team DARs”) which will embody similar principles to those which are currently set out in the tie DARs.

2. DEFINITION OF TERMS

Project Definition Statement - Describes the scope of the project in terms of the extent of the tram network, the required service levels which the tram network will provide to the public and the quality of the engineering solutions identified to deliver the project. The existing Project Definition Statement is that embodied in the submissions made by tie and its advisors in support of the Tram Bills before Parliament. It is anticipated that the Tram Project Board will address a succinct statement of common purpose at an early stage.

Project Master Programme – Established and maintained by tie and encompassing the key milestone dates on the project including Royal Assent, delivery of Business Cases, approval of funding, award of contracts and commencement of tram operations.

Key Milestones – The dates in the Project Master Programme for (1) financial close (award of infrastructure and vehicle contracts) and (2) commencement of tram operations.

Project Control Budget – The budget quantifies and details the capital cost estimate, expressed in nominal terms, of delivering the project as described in the Project Definition Statement and the Project Master Programme and including the Specified Contingency. For clarity the initial Project Control Budget totals to the capital costs required to deliver the whole of lines 1 and 2.

Specified Contingency - That level of contingency assessed as necessary to deliver the project in terms of the defined scope and programme of the project having due regard to an assessment of the risks associated with individual elements of the budget. The Specified Contingency is not sufficient to cover the costs of significant changes in either the scope of the project or the Key Milestone dates.

Funded Capital Costs – The total of available sources of funding for capital expenditure up to the date of commencement of tram operations including SE

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grants, CEC contributions, borrowings and other identified sources of finance. The difference between the total of Funded Capital Costs and the Project Control Budget is the Scope / Programme Contingency.

Scope / Programme Contingency – The limit of funding available to make significant changes to the scope and/or Key Milestones of the project.

Approved Funding – That scope of activities and monetary limit for which funding has been approved from time to time by SE and CEC. For illustration, in the period up to anticipated Royal Assent, system design and related activities will have approved funding but the execution of utility diversions will not – even though they are fully provided for in the Project Control Budget. The practical implication is that before any financial commitment is made the costs must be both within the scope and quantum of the budget and the scope and quantum of funding approved at that time.

Business Case Model – Which incorporates, inter-alia, the capital cost estimates as quantified in the Project Control Budget as well as the LifeCycle Costs, Operating Costs, Farebox Revenues and Other Income during the 30 year period beyond commencement of tram operations. The current Business Case Model is that contained in the May 2005 IOBC.

Management of Change Procedure – By which any proposed or consequential changes to the scope, programme and costs of the project are documented as Change Requests and presented for approval by the Project Director, Tram Project Board and tie board as dictated by the Tram DARs .

The Change Control Procedure also provides continuity of decision making between changes to capital costs or programme and the impact those changes may have on LifeCycle Costs, Operating Costs, Farebox Revenues and Other Income as described in the Business Case Model.

Fixed Price Contracts – All major capital expenditure will be incurred under fixed price contracts including but not limited to the SDS, Infrastructure and Vehicles contracts. NB - The level of commitment under these contracts is not necessarily the fixed price e.g. under the terms of the SDS contract notwithstanding the total contract sum and duration of the contract, tie's commitment under the contract is limited only to the specific elements which are instructed plus termination considerations. Changes to the budget provisions for these works, both before and after award of the related contract are processed in accordance with the Management of Change Procedure.

Cost Reimbursable Contracts – These are governing contracts under which tie makes periodic instructions, in most cases for the provision of professional services. There is no fixed price and each element of work is committed and managed in accordance with tie's procedure "Management of Cost Reimbursable Contracts for the Provision of Services". It is anticipated that the Utilities contact will be a hybrid such that there will be a contract price but this will be subject to remeasurement within strictly defined financial limits.

3. PRINCIPLES OF DELEGATION

The overarching principles of delegation can be summarised as follows:

- Delegated authority is anchored on the agreed scope and budget for the project. The approval and adoption of the Project Control Budget is a key element of the initial application of this procedure. There are two levels of contingency, the Specified Contingency required to deliver the project in terms of scope and programme as defined from time to time (the Project Control Budget is inclusive of the Specified Contingency) and the Scope / Programme Contingency available to implement significant changes in scope or programme.
- The Tram Project Director has authority to approve changes which result in movements in the Specified Contingency subject to the application of monetary limits as below, but does not have authority to approve significant changes in scope or programme.
- The Tram Project Director can approve Change Requests which result in a change in the budget for a particular element of capital costs up to **£500k** (£2.5m beyond Financial Close) except where the change:
 - Must be considered in the context of local or national transport policy
 - Will result in a “significant” change to the scope or programme for the project.
 - Requires approval by CEC, for example in relation to planning or legal considerations

The capital cost impact of the related Change Request will result in a movement from (or to) Specified Contingency. The Tram Project Director provides a comprehensive report to the Tram Project Board each month on the Change Requests approved under this delegated authority.

- All Change Requests not falling within the Tram Project Director’s delegated authority must be approved by the Tram Project Board. Further, individual Change Requests which have an impact on capital costs in excess of **£1m** (£5m beyond Financial Close) are approved in the first instance by the Tram Project Board, then referred to the tie board for approval.
- The Project Director has authority to make new contractual appointments up to a value of **£2m** (£10m beyond Financial Close) subject always to the commitment being within approved scope, budget and funding. Contractual appointments in excess of **£2m** (£10m beyond Financial Close) are approved by the Tram Project Board and those in excess of **£5m** (£20m beyond Financial Close) are referred to the tie Board for approval. The resulting change in budget (difference between pre-existing budget and awarded contract price) is the subject of a Change Request and a corresponding adjustment to Specified Contingency.

- The Tram Project Director has authority to make new commitments (instructions or variations) on Fixed Price Contracts up to a value of **£2m** (£10m beyond Financial Close) and on Cost Reimbursable Contracts up to a value of **£150k** (£250m beyond Financial Close), again subject to the commitment being within approved scope, budget and funding. The Tram Project Board must approve such commitments up to **£5m** on Fixed Price Contracts and **£500k** on Cost Reimbursable Contracts. Above these levels the commitment must be approved by the tie Board.

The Tram Project Director provides a comprehensive report to the Tram Project Board each month on the commitments approved under this delegated authority.

- As a rule, where a Change Request relates to an awarded contract, the value of the Change Request will have been agreed with the contractor in advance of it being presented to the Tram Project Board. Where this has not been possible the Tram Project Director will resubmit for approval all change requests where the agreed value with the contractor is 5% or more higher than that already approved.
- The Tram Project Director is responsible for presenting to the Tram Project Board a monthly review of the required Specified Contingency on the project with respect to remaining risks, anticipated changes, claims etc. on the project. This review may result in a transfer in either direction between the Specified Contingency and the Scope & Programme Contingency at the discretion of the Tram Project Board.
- The tie CEO sits on the TPB and is responsible for communicating matters reported at the TPB to the tie Board through the tie Board Chairman. This communication is in addition to the formal applications to the tie Board for approvals under the Tram DARs, the responsibility for which is anticipated to rest with the Tram Project Director once TPB approval has been received.

Note on Stagegate Funding Approvals

In August 2005, SE will approve funding for activities during the period to 31 March 2006 including design services and associated site investigation (SDS contract) and the development of an Integrated Transport Model (JRC contract).

In February 2006, tie will submit an Outline Business Case (OBC) with an agreed format and content. Accompanying the OBC will be a schedule of activities including contractual commitments and capital expenditure (including Specified Contingency) for the period from 1 April 2006 to 30 June 2007 being the date of expected Financial Close (award of the main Infrastructure and Vehicle contracts). tie anticipates significant capital expenditure on utilities diversion works and land purchases during this period. It is expected that approval of the OBC will be concurrent with approval

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of funding for this capital expenditure and approval to issue tenders for the Infrastructure and Vehicles contracts assuming Royal Assent has been granted.

In November 2006, tie will submit a Final Business Case, following receipt of tenders for the Infrastructure and Vehicles contract. An update of the Final Business Case will be submitted in June 2007, approval for which will be accompanied by approval of funding for the balance of the Project Control Budget as it stands at that time.

Notwithstanding the application of these rules to the estimated capital costs of the project in total as quantified in the Project Control Budget, the authorities delegated are also governed by interim funding approvals i.e. commitments made and expenditure incurred must fall within the scope of activities and monetary limits set by the related interim funding approval.

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APPENDIX 1 AUTHORITY MATRIX

PERIOD TO FINANCIAL CLOSE (Except land acquisitions and utility diversions to be subject to supplementary rules and limits)

	<u>Project Director</u>	<u>Tram Project Board</u>	<u>tie Board</u> (Note 1)
<u>Budget and Changes to Budget</u>			
-Approval of Budgets	-	Subject to tie Board approval	All
- Change Requests in relation to new contractual appointments - including Infraco and Vehicles (movement in Specified Contingency Only)	Up to £500k	>£500k < £1m	>£1m
- Change Requests re proposed variations to existing contracts where no material change in scope or programme (movement in Specified Contingency only)	Up to £500k	>£500k < £1m	>£1m
- Change Requests re proposed changes to estimates for works not yet contracted and no material change in scope or programme (movement in Specified Contingency only)	Up to £500k	>£500k < £1m	>£1m
- Change requests where material change in scope or programme (movement in Scope / Programme Contingency)	-	Up to £1m +/- or change in Key Milestones up to 2 mths	> £1m +/- or change in Key Milestones > 2 mths
<u>Commitments</u>			
- New contractual appointments of any kind – Change Request already approved if necessary and scope and costs within Approved Funding	Up to £2m	> £2m < £5m	> £5m
- Instructions (variations) under Fixed Price Contracts - Change Request already approved if necessary and scope and cost within Approved Funding .	Up to £2m	> £2m < £5m	> £5m

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TRAM PROJECT – DELEGATED AUTHORITY RULES
APPENDIX 1 AUTHORITY MATRIX

PERIOD TO FINANCIAL CLOSE (Except land acquisitions and utility diversions to be subject to supplementary rules and limits) - Contd

	<u>Project Director</u>	<u>Tram Project Board</u>	<u>tie Board</u> (Note 1)
<u>Commitments (continued)</u>			
- Instructions under Cost Reimbursable Contracts – Change Request already approved if necessary and scope and cost within Approved Funding	Up to £150k	> £150k < £500k	> £500k
- Any instruction required on safety grounds or to mitigate adverse programme implications - with retrospective Change Request	Up to £1m	Up to £5m in accordance with procedure for emergency teleconference w/ quorum of TPB	> £5m
<u>Expenditure</u>			
- Approval of Invoices and Certificates for payment	Unlimited subject to compliance with internal Tram Project Team DAR's	-	-

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TRAM PROJECT – DELEGATED AUTHORITY RULES
APPENDIX 1 AUTHORITY MATRIX

PERIOD BEYOND FINANCIAL CLOSE

	<u>Project Director</u>	<u>Tram Project Board</u>	<u>tie Board</u> (Note 1)
<u>Budget and Changes to Budget</u>			
-Approval of Budgets	-	Subject to tie Board approval	All
- Change Requests in relation to new contractual appointments - including Infraco and Vehicles (movement in Specified Contingency Only)	Up to £2.5m	>£2.5m < £5m	>£5m
- Change Requests re proposed variations to existing contracts where no material change in scope or programme (movement in Specified Contingency only)	Up to £2.5m	>£2.5m < £5m	> £5m
- Change Requests re proposed changes to estimates for works not yet contracted and no material change in scope or programme (movement in Specified Contingency only)	Up to £2.5m	>£2.5m < £5m	> £5m
- Change requests where material change in scope or programme (movement in Scope / Programme Contingency)	-	Up to £10m +/- or change in Key Milestones up to 2 mths	> £10m +/- or change in Key Milestones > 2 mths
<u>Commitments</u>			
- New contractual appointments of any kind – Change Request already approved if necessary and scope and costs within Approved Funding	Up to £10m	> £10m < £20m	> £20m
- Instructions (variations) under Fixed Price Contracts - Change Request already approved if necessary and scope and cost within Approved Funding .	Up to £10m	> £10m < £20m	> £20m

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TRAM PROJECT – DELEGATED AUTHORITY RULES
APPENDIX 1 AUTHORITY MATRIX

PERIOD BEYOND FINANCIAL CLOSE - Cont'd			
	<u>Project Director</u>	<u>Tram Project Board</u>	<u>Tram Project Board</u> <u>(Note 1)</u>
<u>Commitments (continued)</u>			
- Instructions under Cost Reimbursable Contracts – Change Request already approved if necessary and scope and cost within Approved Funding	Up to £250k	> £250k < £1.5m	> £1.5m
- Any instruction required on safety grounds or to mitigate adverse programme implications - with retrospective Change Request	Up to £1m	Up to £5m in accordance with procedure for emergency teleconference w/ quorum of TPB	> £5m
<u>Expenditure</u>			
- Approval of Invoices and Certificates for payment	Unlimited subject to compliance with internal Tram Project Team DAR's	-	-

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TRAM PROJECT – DELEGATED AUTHORITY RULES
APPENDIX 1 AUTHORITY MATRIX

APPLICABLE THROUGHOUT PROJECT

<u>Key Non-Financial Delegations</u>	<u>Project Director</u>	<u>Tram Project Board</u>	<u>tie Board</u> (Note 1)
- Approve Delegated Authority Rules	Within Tram Team	Delegations to Tram Project Director	Delegations to Tram Project Board
- Approve and execute restructure or disbandment of the Tram Project Board	-	Subject to tie Board approval	All
- Approve membership and composition of Tram Project Board	-	Subject to tie Board approval	All
- Approve Business Cases (including OBC and FBC)	-	Subject to tie Board approval	All
- Approve the appointment of the Tram Project Director	-	Subject to tie Board approval	All
- Approve procedures including but not limited to management of change, risk, costs and delegation by the Tram Project Director	-	All	-
- Procurement Strategy and documents issued (eg PIN,ITT) pursuant to procurement process	-	All	-

Notes:

1. The tie Board, at its discretion, may delegate any aspect of its responsibilities to the tie CEO, who may take the actions he considers necessary through his delegate or through the tie Executive Board.

CEC / tie protocols

There is a recognition that we need to have a series of robust protocols in place between CEC and **tie** in order to ensure the quick and efficient interface between the two organisations during the course of the planning and delivery of the tram project. The areas that have been identified as requiring such consideration are:

- Planning;
- Land Acquisition;
- Traffic Management;
- Legal;
- Communications; and
- Correspondence / FOISA / Scottish Executive relationship.

An initial meeting has been held with Duncan Fraser to instigate dialogue and to draw the linkage between the development of a work programme for CEC related to **tie** activities, an appreciation of the resource requirements, and the protocols that will exist between the parties.

We have identified an individual who will lead the production of these protocols and we are currently seeking a series of meetings with relevant CEC officers to start fleshing out the documentation. It is generally accepted that a suite of short protocols will be produced contained within a core document with a relevant dispute resolution process.

The recognition of the urgency of having these in place is driving a challenging timescale. Our current aspiration is as follows:

- | | |
|--|-----------------|
| ▪ Initial Meeting | 14 February |
| ▪ Production of initial skeletal documentation | 24 February |
| ▪ Review meeting | w/c 27 February |
| ▪ Production of draft documentation | 10 March |
| ▪ Final review | w/c 13 March |
| ▪ Issue of final documentation | 24 March |
| ▪ Documentation sign off | 31 March |

Our aim is to drive the development of the documents whilst interacting with CEC to produce a series of protocols that are relevant and meaningful in moving the tram project forward.

TRANSDEV EDINBURGH TRAM LTD

STRICTLY CONFIDENTIAL – FOISA QUALIFIED EXEMPTION

REPORT OF THE GENERAL MANAGER TO tie

January 2006

Significant Events

- Much time has been spent on reviewing SDS documentation, writing commentaries, and in meetings to discuss the reviews and ways forward. SDS's attitude is generally encouraging – they seem willing to listen and to want to produce a good tramway – but the quality of the documentation, and in some cases of the underlying knowledge, is variable. Some good news is that the depot, which is a particularly complex design exercise with many constraints, seems to be developing well so far. We welcome and endorse the efforts being made by the tram project director to co-locate all key players as soon as possible.
- The first new (SDS) run time estimates have been received and reviewed. They are still rather approximate, and more work will be required, but the work gives us more confidence than previous efforts because it is more transparent to us. The main issue which emerges is that there does not appear to us to be sufficient clarity from CEC on traffic signal priority. CEC's early proposals would have meant more delay per trip at traffic signals alone than Nottingham suffers from all causes. These have been set aside, but nothing concrete seems to have replaced them. A note has been written for tie, pointing out the risks.
- Much time has been expended on analysis and internal discussions of the TEL Business Plan paper produced by Lothian Buses. We believe that this paper is unduly pessimistic, and have produced a response.
- The General Manager of TET will be leaving Edinburgh to take up a post in Melbourne, Australia in March. Succession planning is in hand.
- TET welcomes the recruitment by tie of two leading participants in previous projects to manage the tram and infrastructure procurement processes. We look forward to working with both of them again.

Main Concerns

- We are extremely concerned about proposals by TEL to reduce the scope of Transdev's activities during the operational period. Whilst we wish to work in harmony with all parties, we think it is unreasonable that we should be expected to advise TEL on the consequences of handing over parts of TET's existing DPOFA scope of work to Lothian Buses or TEL, neither of whom have been subject to any form of testing to establish best value. We believe that it is incumbent upon tie and TEL to decide what they would like to do and to come forward with a clear proposal.

- We are also concerned that the current relationship between TET and TEL is not defined. An increasing amount of time is being used in responding to TEL papers and statements, and this means that we are not always able to work on other important matters as promptly as we would wish. TEL has no obligation of confidentiality, now receives most key documents from tie, and TEL's tram consultant works principally for Transdev's largest French competitor.
- A number of fundamental design matters, which we understood to be resolved, or at least where a preferred option had been identified, seem to have reappeared. In at least two cases (segregation in Princes St and the St Andrew Square layout), these are matters included as key issues for resolution in our Inception report of August 2004.

Next steps

- Participate in the tram supplier pre-qualification.
- Progress the succession plan and communicate it to tie.

Andy Wood

7 February 2006