



**INVESTMENT DECISION MAKING BOARD Edinburgh
Tram Network**

TEAR Comments on Final Business Case

**Paper Title: Airdrie-Bathgate Borders Rail Link
Land Acquisition and
Network Rail Procurement Strategy and
Delivery Structure for the works**

Purpose

1. This paper has two separate subjects and associated objectives. They are in line with the revised "scaled back" approach that TS is adopting on the Tram project an in depth review of Edinburgh tram network Final Business Case is not required. In line with Ministers' expectations there is however a need to undertake a light review to ensure that it demonstrates that the scheme:

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- remains affordable.
- continues to demonstrate a BCR of above 1 and
- requires no ongoing operating subsidy from the government.

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To seek the Board's **approval** for the proposed
£22m of funding for the acquisition of land and property for the procurement
Strategy for delivering the works scheme and

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to seek **guidance** on Approval of, and/or guidance on Network Rail's proposed procurement strategy for the main works element of the project. (The board should note that Transport Scotland has made it clear to Network Rail that this strategy is directly connected to them offering a fixed price for the whole of the works) the proposed delivery organisational structure for the works with Transport Scotland in the new position of Authorised Undertaker for the project and the associated level of TS involvement.

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Priority Remains affordable

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2. Immediate in both cases.

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• The final cost estimate for Phase 1a is £498.1m. The available funding is up to £500m from TS and £44.8m from CEC, a total of £544.8m. As such, Phase 1a appears affordable.

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3. There is a risk contingency of 16% built into the £498.1m figure which means there is headroom of 26% from the base cost estimate to available financial resources.

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The decision on procurement strategy is necessary to ensure Network Rail maintain the programme for delivery of the Airdrie to Bathgate scheme in December 2010.

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Decisions/Actions required of the Board Continues to demonstrate a BCR of above 1

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4. The stated Benefit Cost Ratio for Phase 1a of the Edinburgh Tram network is 1.77 in the absence of EARL. This compares with 1.1 in the presence of EARL. The criteria is thus satisfied. However, it should be noted that the BCR is highly sensitive to patronage and background growth and other assumptions.

- a) Approve Network Rail's preferred procurement strategy for the main (non-operational) works of the project and the various options available to them for delivering the scheme. Acceptance of this strategy should be directly linked to the provision of a fixed price agreement for whole of the project. **OR**
- b) Consider whether an alternative strategy should be pursued with Network Rail. If an alternative strategy is pursued, this is likely to have an impact on both budget and timetable as Network Rail's programme for delivery is linked to their preferred strategy.

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Key information the Board will need to support its decisions/action Requires no ongoing operating subsidy from the government

5. The FBC shows a small deficit in opening year but surpluses in all other years rising to £44 million in 2031. A potential issue is that no provision is made for tram vehicle renewals after 30 years.

6. The FBC discusses the possibility of "pro-active management of revenue yield per passenger" providing for increased profitability in future. However, any deviation from the current fares policy would impact on patronage and user benefits.

7. It is worth noting that 20% of patronage and the associated revenue is estimated to come from those eligible for concessionary travel and that the current system is assumed to continue.

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