

Joint Tram Project Board and **tie** Board

3 June 2009

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Agenda

Minutes and Matters Arising	D Mackay
Introduction	R Jeffrey
HSQE	S Bell
Strategic Options – Update & Forward Planning	S Bell
Project Delivery	S Bell
– Infraco progress	
– Utilities – progress	
– Storyboard	S Clark
– Embargos	
– Picardy Place	
– Leith Walk	
Finance	S McGarrity
Risk	S Bell
HR, Comms and Stakeholder	R Jeffrey
AOB	

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Overview

- HSQE – AFR down to 0.29 but still above target AFR of 0.24. Internal briefings held on CoCP to kick start the initiative on “Respect for the City”.
- Strategic Options –Mediation for DRP1 held on 29 May and resolution agreed. “Entitlement “ & “Revised” programmes delivered by BSC and under review / challenge. Stage 1 of the forensic planning work due for completion in early June.
- Infraco Progress – PMP has met 6 times but progress has been slower than ideal, however momentum is increasing.
- MUDFA progress – procurement of diversions for sections 1A & 7 underway to allow shutdown of the Carillion operation by end August .

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HSQE



- There were no reportable accidents during Period 2 and the project 13-period rolling AFR is 0.28 (target 0.24, last period 0.29). The frequency of service damages has decreased further during the period on the project and for Carillion but the BSC frequency has slightly increased again, **tie** are investigating these incidents with BSC.
- The score for **tie** health and safety inspections on the contractor fell slightly during period 2, however there were only 2 inspections that fell below the 80% compliance level. The number of inspection carried by **tie** PM's was slightly below 100% of those planned (93%). All of the planned safety tours were carried out by **tie** senior management in the period. 3 Safety tours were carried out jointly with the contractors' directors.
- The **tie** SHE board committee met during the period and carried out a safety tour was on Princes St. Concerns were raised regarding the control and co-ordination of BSC subcontractors and these concerns are being addressed.

Project Delivery Princes Street and Depot

- Princes Street
 - CEC agreement reached on working through festival embargo.
 - Festival mitigations planning commenced.
 - OHL bases being installed.
 - Traffic management switch on 6th June to give access between South St David & Waverley Bridge.
 - First rail installation - 2nd week in June.
 - Revised programme received from BSC indicating 2/12 completion.
- Good progress at:
 - 84,000m³ vs. plan of 55,800m³ on 30th May
 - 100% bridge beams lifted into position at Edinburgh Park
 - Verity House access road complete
 - Tram modules progress 2 months ahead of schedule
- Continued slow progress at:
 - Carrick Knowe Bridge
 - Haymarket viaduct (contractor not yet mobilised)

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Project Delivery Utilities Works

- Overall 77% of all diversions complete.
- Sections 2a, 5a, 5b, 5c and 6 diversions complete.
- SGN connections commence week commencing 13/4 and progressing well.
- BT cabling progressing ahead of schedule in sections 5B & 5C.
- Mound diversions progressing well and completion expected by 14th June when site will be handed over for Tramworks.
- Process for dealing with Carillion delay & disruption application likely to be challenging due to their poor records to substantiate such claims.
- Strategy developed to close down MUDFA contract by end August implemented and sections 1A & 7 out to tender.

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Project Delivery Other Issues

- Picardy Place – design ongoing but traffic flow issues that remain to be resolved.
- Embargos – Princes St approved. Proposal to work in Haymarket/Shandwick PI and York Place/Broughton St.
- TRO – comments from internal consultation being recycled into final designs.
- Building fixings – only 9 outstanding fixings where referral to the Sherriff Court is likely.
- Fastlink road modifications TRO order made.
- Haymarket War memorial removal completed.
- Leith Walk – work progressed on more sweeping traffic management allowing greater construction opportunities

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Finance

- No change to the forecast expenditure of **£150m** in FY0910 (**£22m** in the first qtr) on Phase 1a. Spend to Period 2 is **£15.2m** - £5m ahead of the budget to date due to short-term timing differences only.
- Following Council decision to postpone Phase 1b we will have an additional liability to pay BSC **£3.2m** in the second qtr – maybe subject to negotiation.
- Cost profile reported is based up the “Re-baselined” programme to commence revenue services in Feb 2012.
- We continue to report against an as yet unapproved outturn estimate for Phase 1a of **£527.1m** which includes a risk allowance of **£35.7m** for Infraco and is based upon the rebaselined opening date of Feb 2012.
- After allowing for the costs of Phase 1b postponement of **£6.2m** (includes £3m spend on Ph1b design in previous years) there is headroom of **£11.7m** against the total approved funding of **£545m**.
- Cost outturn confidence will build with Strategic Options Workstreams.

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Preparation for Operations

3rd June 2009

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Introduction

- Preparation for operation and maintenance of the tram system key objectives:
 - integration with the existing Lothian Bus operation;
 - to achieve successful bus and tram network foreseen in the tram business case and TEL business plan.
- 8 work areas form platform to take key decisions and commence implementation this year.
- Harness the collective strengths of the 'One Family' - CEC, Lothian Buses, tie and TEL.

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Work Areas

- Preparation of integrated management system.
- Recruitment and training.
- Review of final design.
- Commissioning, handover and asset stewardship.
- Benefits realisation monitoring and planning.
- Branding and marketing.
- System revenue management.
- Power procurement.

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Preparation of integrated management system

- Rules and procedures framework for both operations and maintenance covering:
 - safety, quality, environment management systems.
- Network Integration with Lothian Buses operations including:
 - scheduling, real time passenger information and back-office.

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Recruitment and training

- By end of 09/10 launch the workforce recruitment.
- Supervisors and Trainers first.
- Main body of workforce following in 2010/11.

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Review of final design

- To ensure that the contractors deliver a system that is:
 - Operable safely;
 - Maintainable safely;
 - Within the projections of the Business Case.

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Commissioning, handover and asset stewardship

- Continue preparation during 2009/10 to form an integrated, multi-organisation commissioning team.
- Population of the tram system asset management system.
- Population of the tram system technical library.

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Benefits realisation planning and monitoring

- TEL Business Plan to be reviewed and updated where necessary:
 - Primarily sensitivity tests.
- Benefits Realisation Plan to be produced:
 - Key criteria established to assess success of project delivery objectively.

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Branding and marketing

- To achieve successful recruitment, test running and revenue service launch we must:
 - Establish the brand and pre-market the system;
 - Build on the work already undertaken on branding of the tram;
 - Leverage off the existing established brand of Lothian Buses.
- Finalise the tram and integrated network brand and formalise strategy for pre-marketing the system.

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System revenue management

- Formal procurement of the ticket machines and the back office will be launched in Q2 2009/10.
- Key to achieve a flexible ticketing and revenue collection solution that has capability to deliver the TEL commercial priorities.
- With delivery during Q1 2011/12 of an integrated smart ticket system fully integrated with Lothian Buses.

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Power procurement

- Procurement decision Q3 2009/10 on contract to supply power for commissioning with option for operations.
- Tender evaluation criteria based on lowest cost, factored by environmental considerations.
- Assess the market response against an option of procuring the power through CEC's involvement in the local government smart procurement scheme.

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Questions?

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Resources

- 5 operations staff
- Lothian Buses resources
- CEC resources
- Tie resources
- Infraco maintenance resources
 - Infrastructure maintenance manager
 - Tram maintenance manager

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Programme

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Strategic Options – Workstreams to end June

- A. Re-baselined Programme agreed commercially
- B. Key commercial and legal disagreements
- C. DRP/Infracore breach
- D. Settlement of existing changes
- E. Review of risk allowance and outturn cost estimates
- F. Review of other cost uncertainties
- G. Contract and risk management regime and governance
- H. Broader scope and funding options

NB – All in the context of assumed constructive engagement and resolution on an equitable basis between the respective project teams.

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Strategic Options - Progress during May

- Good progress has been made on Princes Street under the Supplemental Agreement (SA) during the period, with track works commencing next week.
- The PMP has been established and has met 6 times as the forum for the more constructive engagement between **tie** and BSC.
- Some successes being achieved through the PMP, albeit these are significant issues to resolve. Next meeting 12 June.
- Delivery impetus by BSC at some other worksites had improved e.g. Depot excavation but starting to slow again pending resolution of further anticipated changes.
- Need to continue with next steps which:
 - Deliver cost and programme confidence
 - Balances the imperative of a conciliatory outcome against the need for robust protection of commercial position and VfM.
 - Enhances engagement, particularly on programme

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Strategic Options – Workstream A : Programme

- Delivery of an “Entitlement” programme by BSC was followed by a “Revision 2” programme on 22 May.
- **tie** has responded to both programmes seeking significant additional information to substantiate the programmes under the contract.
- Programme workshops being held with BSC on 16/17 June.
- Forensic planning Stage 1 will be completed in early June and next steps defined.
- Initial forensic planning analysis suggests our records are robust and work ongoing to get these in an easily retrievable format.
- **tie** team preparing for an internal “Programme Challenge” to be held by 12 June to “stress test” our robust view on programme.

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Strategic Options – Workstream B : Key Commercial and Legal disagreements

- Continuing to try and resolve these issues through PMP if possible.
- 5 key areas of disagreement reported last TPB:
 - Responsibility for design management & evolution
 - Liability for delays to date and risk of future delays – workstream A supplies this.
 - Preliminaries – resolved for Civils Works based on DRP1 conclusion
 - Unforeseen ground conditions – independent geotechnical specialist supporting analysis.
 - Failure to provide estimates – improvement in delivery of number, however historical liability and quality is not fully there yet.
- QC opinion sought on key contractual / legal issues and briefing held on 1st June. Written opinion expected 3 June. No radical differences highlighted.
- Continued development of commercial cases to address the above items

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Strategic Options – Workstream C/D DRP/Breach & Changes

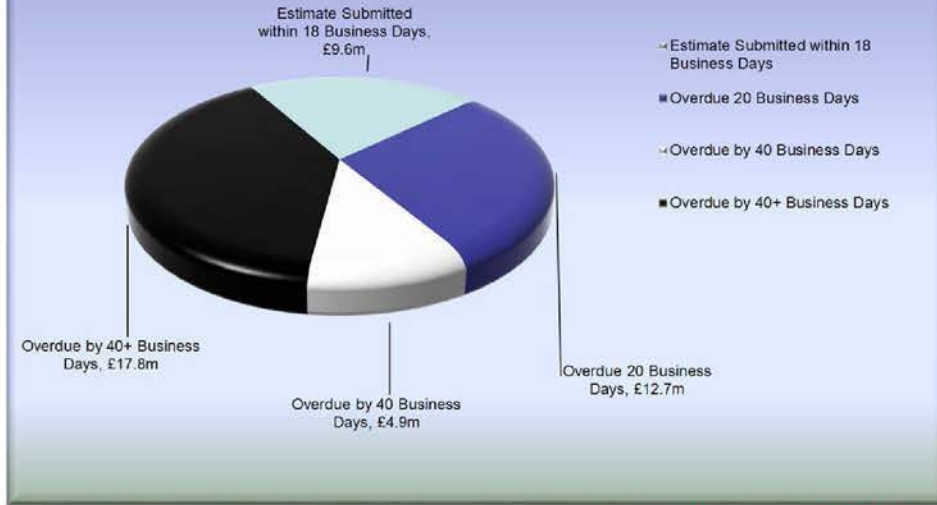
- Dispute Resolution Process 1 (DRP 1) mediation successfully held on 29th May and agreement was reached which avoids need for adjudication.
- 4 potential further DRP's are under preparation should the PMP route prove to be unsuccessful. These will be informed by QC opinion in some cases.

Position at end of P1	P13	P1	P2
INTC's received from BSC	334	341	370
INTC's with estimates outstanding	241	242	235
Change orders issues by tie	24	27	54
Change orders pending agreement on preliminaries	3	15	27
Disputed in principle	5	5	13

INTC – Infraco Notice of **tie** Change
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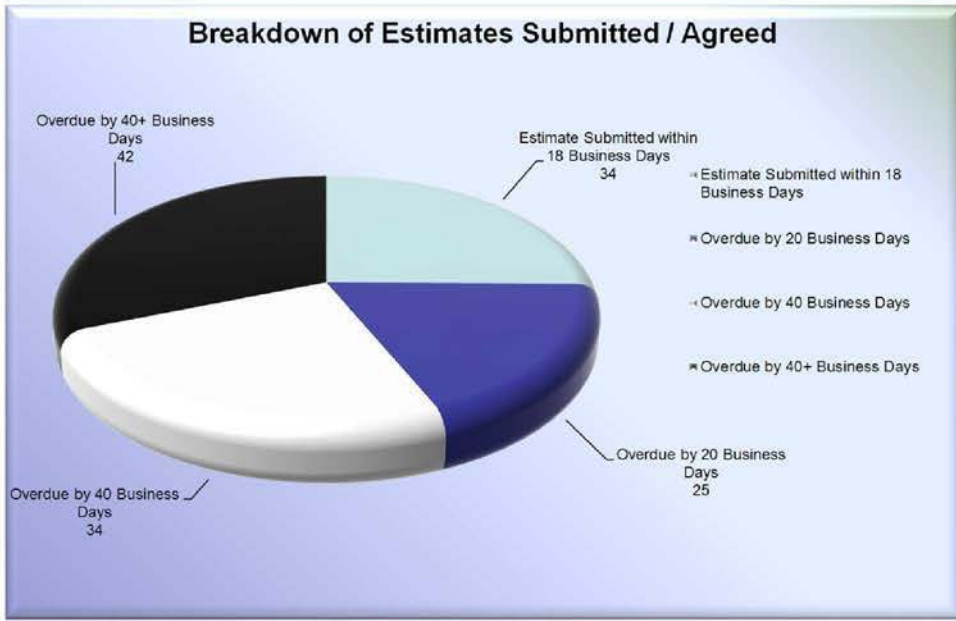
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**Breakdown of Estimates Submitted / Agreed (By Value
£m)
15th May 2009 - Total £45m**



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Strategic Options – Workstream G : Contract & Risk management regime

- **tie**'s approach to contract/risk management updated to reflect behaviours & tactics deployed by BSC and Carillion and will recognise output from workstream B e.g. QC advice.
- Approach to date has been robust but contract management requires change in organisational approach and use of independent specialists to support and validate the **tie** effort.
- Strategic Commercial Manager joins team in early July to focus on claims and disputes.
- Additional Commercial Manager deployed to address Carillion tactics w/c 1 June.
- External commercial resources also being utilised along with legal expertise and technical specialists in relation to ground conditions.
- This approach remains coherent with the effort to achieve resolution through the Project Management Panel.

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Strategic Options - Timetable

8th July Board:

- Consolidated review of outputs from this 3mth engagement
- Inclusion of options on incremental solutions / agreement as a twin track approach along with workstream A.

29th July 2009

- Further consolidation and reducing uncertainty above.
- Recalibrated programme presented for approvals with commercial input assessed.

26th August

- Recalibrated programme presented for approval along with commercial impact assessed / agreed.
- Formal consideration of recommendations regarding scope truncation, incremental funding sources and stop/go decision on project.

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HR and Comms

- Colin MacLauchlan has left tie and Mandy Haeburn-Little of MHL Consulting has taken on the role of Communications Director. Mandy and her team started at tie on 1 June 2009.
- Further HR support will be sought from an external source.
- Tram mock up located Constitution Street / Foot of Leith Walk.
 - 1200 visitors in week one
 - Positive reception from majority of visitors
 - Next stop is Ocean Terminal
 - Potential to use during Festival

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END

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