

Rail Delivery

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Matthew Crosse
tie
Verity House
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Date: 7 June 2007

Dear Matthew,

As you know the Edinburgh Tram Project quarterly panel review was cancelled due to external circumstances.

Subject to further instruction, please be informed that the next panel review meeting will take place week beginning 13 August in Buchanan House, 58 Port Dundas Road, Glasgow G4 0HF. To inform discussion the Panel requires the following information to be issued by you prior to each panel review :

- An update on actions from previous panel review (February)
- A summary of your latest periodic project report (guidance length 4 A4 pages). This summary should include reference to emerging and critical issues relating to progress Cost, Outturns, Risk, Programme, Key Milestones, Scope, Change Control, Stakeholder & Communication Management and Health, Safety, Environment and Quality.
- Summary of Key Risks and Opportunities

I will be in touch in due course to confirm the exact date and time of review and prior submission of information.

As before, the Panel would welcome attendance from key people involved in the project but we do need to keep representation reasonably tight to ensure the meeting works effectively and would therefore suggest 3-5 people from your team may be a sensible maximum.

I look forward to seeing you and your team at the next quarterly panel review.

Yours sincerely

JERRY MORRISSEY
Head of Major Projects

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**Panel Review of Major Projects: Edinburgh Tram
23 February 2007**

Attendees-		Panel	
Geoff Gilbert	tie Ltd	Damian Sharp	Transport Scotland
Stewart McGarrity	tie Ltd	Lorna Davis	Transport Scotland
Susan Clark	tie Ltd	Martin McKinlay	Transport Scotland
Willie Gallagher	tie Ltd	Matt Spence	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>This was the sixth quarterly Panel Review, following that held on 24 November 2006. This review was to focus primarily on the following areas:</p> <ul style="list-style-type: none"> • Notes/actions from the last meeting • Progress and Programme • Procurement and Implementation • Risk • Financial Status • AOB • Conclusions and Actions <p><u>Current Status of Actions from previous meeting</u></p> <p>(1) Discussion needs to take place on indexation to ensure that the calculations that tie are using in cost estimates are in line with those used across all of the TS Major Projects Programme. Nadia Savage to liaise with Andie Harper – Complete. TS requested update as and when cost estimate changes throughout the negotiation process.</p> <p>(2) Functional Specification submitted as part of the DFBC review process on 16th Nov 2006. Meeting scheduled for technical walk through to assist in review process – Areas associated with the proposed Functional Specification still need to be resolved. (1)</p> <p>(3) Appropriate level of cost loading now required at high level to enable this to be included within the 13th December TS IDM paper. Nadia Savage to issue TS requirements (short and long term) for cost/resource loaded programmes – Complete.</p> <p>(4) Re-wording of current grant letter needs to be made to account for increase in cost and period of time i.e. £44m and end of 06/07 financial year – Complete.</p> <p>(5) Andie Harper to ensure that Geoff Gilbert liaises with Ken Davis of Cyrill Sweett to enable Cost Estimate comparison exercise to be formally closed out – Superseded/taken as complete.</p>	

	<p>(6) tie to confirm issue surrounding property title ownership to give TS the assurance that the monies associated with this can be accrued in this financial year – Complete.</p> <p>(7) Funding agreement (Heads of Term) between CEC and TS to be finalised – Meeting scheduled to progress this in response of Ministerial decision. Once this has been concluded the comfort letters for Infraco can be drafted.</p> <p>(8) Update required on independent audit (modelling). – Complete. Stewart McGarrity confirmed that a re-calibration is being undertaken.</p> <p>(9) tie to confirm Infraco indicative price range to TS by noon on 26th January 2007 which allows a possible decision in Cabinet on 7th February 2007 – Complete.</p> <p>(10) tie to submit information surrounding Phase 1a and 1b MUDFA actual works – Complete.</p> <p>(11) tie to formally report on SDS performance improvements – Complete. Willie Gallagher confirmed that the next update on SDS performance will be given at the March Tram Project Board. He confirmed that at this stage there is an action plan in place with real prospects for improvements.</p> <p>(12) TS to facilitate a meeting with Roads Policy branch responsible for TRO's. – Meeting has taken place but further work is required to fully understand the cost and programme impacts of this significant issue.</p>	<p>(2)</p> <p>(3)</p>
<p>Progress and Programme</p>	<p>tie reported that the Draft Final Business Case was approved at the full Council meeting on 21 December 2006 and they are now awaiting the outcome of the Ministerial decision which they understand to be due w/c 26th February 2007. TS confirmed that advice has been sent to the Minister for Transport and a decision is anticipated before the end of February 2007.</p> <p>tie confirmed that SDS have completed the Preliminary design stage and are now undertaking Detailed Design. The project team has performed a review of the key issues and constraints regarding the design process. An improvement plan has been established in collaboration with Parsons Brinkerhoff. tie reported there is an immediate improvement which they believe can be attributed to the appointment of Steve Reynolds as the new Project Director of SDS.</p> <p>tie outlined that a programme to identify and develop key opportunities which was established in December has progressed well with the result that a Value Engineering (VE) matrix has been compiled which includes potential opportunities. These include those identified by the Infraco bidders in their initial proposals.</p> <p>TS welcomed this approach and requested that tie and TS have a meeting between the next DPD and March Tram Project Board to</p>	<p>(4)</p>

	<p>review the VE report.</p> <p>tie confirmed the following organisational changes:</p> <ul style="list-style-type: none"> • Matthew Crosse, Project Director appointed Jan 2007 • David Crawley, Director for Engineering appointed Feb 2007 • Various changes to the tram team organisation are in the process of being made primarily to focus the project on engineering and to allow more cross-functional teams. <p>tie confirmed that the Master Project programme dates for delivery into revenue service remain unchanged i.e. Delivery of Phase 1a by Dec 2010 assuming Infraco contract award in October 2007 and Phase 1b by Dec 2011 assuming a start date of late June 2009.</p> <p>tie and TS agreed to have further discussions to ensure that the timing of Tram Project board, DPD and TS period meeting dates align with current process requirements.</p>	(5)
<p>Procurement & Implementation</p>	<p>tie delivered the following update against each of the following key contracts:-</p> <p>MUDFA:- Proposed revised trial date (2.4.07) at Casino Square is planned and dependent upon Ministerial decision.</p> <p>Infraco:- Bidder's initial proposals received 12 January 2007. These were reviewed, project estimates were updated and a report was provided to TS on 26th January 2007. The independent Scott Wilson verification report was sent to TS on 29th January 2007. TS confirmed receipt of these reports which contained revised cost estimates of Phase 1a being within a range between £477.5m and £517.5m. tie confirmed that the latter figure is based on a cautious approach and includes a total for headroom of £76m (15%) for risk (at P90) and contingency. Phase 1a + 1b range between £561.3m and £610.3m. tie confirmed that the these initial bids have been normalised for objective comparison with an adjustment being made reflecting the anticipated final position taking into account likely price movements arising from the negotiation process.</p> <p>tie re-iterated that bidders have advised that a key requirement for them concluding contracts is Transport Scotland providing a letter of comfort in respect of payments due under the contract. TS confirmed that this will be progressed and is dependent upon when a Ministerial decision has been made.</p> <p>Tramco:- Detailed evaluation process is on-going and progressing well. A decision on whether to reduce the number of bidders from 4 to 2 by week commencing 5th March 2007 is dependent on responses to the further clarifications sought by the tram evaluation team. This recommendation will be made to DPD in the first instance and then the Tram Project Board.</p>	(6)

	Willie Gallagher confirmed that he has recently visited CAF, Alstom and Siemens trams in operation and is due to visit a Bombardier tram w/c 26 th February 2007.	
Risk	tie offered to circulate copies of the risk register at the panel review meeting. TS thanked tie for reconfirming the register was available, however this would not be done during this meeting.	
Financial Status	tie reported that their current financial year end VOWD forecast is maintained at £44.04m but this is dependent upon Ministerial announcement and the release of GVD2 notices.	
AOB	<p>Damian Sharp outlined three key elements which are imperative to success moving forward. These include:</p> <ul style="list-style-type: none"> • Achieving VE processes and savings • Tackling cultural challenges • Clearly defined quality management processes and systems e.g. ISO9000 <p>He also emphasised that TS will be in a position of having to demonstrate that tie are committed to achieving the above.</p> <p>tie fully supported this view and agreed that this was already being examined at a corporate level and agreed to intended to brief TS further in the near future on the status of this.</p>	(7)

<p>Conclusions and Actions</p>	<p>(1) Action – Functional Specification - Areas associated with the proposed Functional Specification still need to be resolved. tie to confirm current status to Martin McKinlay and Lorna Davis at TS.</p> <p>(2) Action – CEC/TS Heads of Term – Meeting to progress this and agree arrangements to enable comfort letters to be sent to Infracore bidders. (link to action 6)</p> <p>(3) Action – TROs - Meeting has taken place but further work is required to fully understand the cost and programme impacts of this significant issue.</p> <p>(4) Action - VE Report – tie and TS to schedule a meeting to review VE report prior to March Tram Project Board. TS team to brief Bill Reeve.</p> <p>(5) Action – Meeting Cycle - tie and TS agreed to have further discussions to ensure that the timing of Tram Project board, DPD and TS period meeting dates align with current process requirements.</p> <p>(6) Action – TS funding assurance letters – TS to draft assurance letter to CEC to enable CEC to issue to Infracore bidders to instil confidence in project funding agreement.</p> <p>(7) Action – tie management processes – tie to brief TS on the developments of the following:-</p> <ul style="list-style-type: none"> • Achieving VE processes and savings • Tackling cultural challenges • Quality management processes and systems 	<p>tie - 28th February 2007</p> <p>CEC & TS - 9th March 2007</p> <p>tie & TS – 23rd March 2007</p> <p>tie & TS – 28th February 2007</p> <p>tie & TS – 9th March 2007</p> <p>TS – 23rd March 2007</p> <p>tie – 27th April 2007</p>
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