

Edinburgh Tram SDS Contract – Weekly Report

1 Stakeholder Relations & Business Case

The following is extracted from a report published in Friday's Scotsman Newspaper following the debate in Parliament on Thursday on transport and the decision by Parliament to execute an audit of tie by Audit Scotland.

MSPs will have the final decision on the fate of Edinburgh's tram and airport rail link schemes after the Conservatives helped avert a first Parliamentary defeat for the SNP-led Scottish Executive. The SNP agreed to a Tory proposal for a debate on ministers' proposals for the projects, which they have pledged to announce before the summer recess at the end of the month. However, no time limit has been set for the debate and accompanying vote - leaving the possibility that the issue may remain unresolved until the autumn.

The Executive has said it intends to scrap the £600 million tram scheme and replace the £600 million airport rail link with a cheaper option. However, ministers will await the results of a review of the projects they ordered this week by Audit Scotland, the public spending watchdog, which will report to Parliament by 20 June. MSPs voted by 65 to 60 yesterday to back a Conservative proposal that "calls on the Scottish Executive to bring forward a motion for parliamentary debate within its own time on these issues".

The votes came as the terms of reference for the Audit Scotland review showed that it will not include the likely final cost of the projects. The watchdog said yesterday it would not have time to "provide assurance on the accuracy of the cost estimates" to complete the report for Parliament by the deadline in 12 days' time. It said the review would "assess the arrangements for managing the delivery" of the projects "to time and cost".

The watchdog reported last September as part of its ongoing review of the Executive's transport projects that there had been no real-terms cost increase with the trams or the airport rail link schemes. In yesterday's Labour-led debate at Holyrood, Des McNulty, Labour's transport spokesman, accused the Executive of a "blatant" attempt to dump the projects. He said: "The cloak of Audit Scotland involvement cannot mask the fact the SNP is defying the previous decisions of Parliament [and] the majority view of members of the current Parliament. "Each week without a decision ratified by this Parliament means costs on the trams in particular will rack up and momentum will be lost."

Tie, the Edinburgh City Council firm developing both projects, confirmed yesterday that £5 million a month was still being spent on them, largely to pay its 170 staff and some 300 other specialists who are continuing preparatory work.

Alex Johnstone, the Conservative transport spokesman, said: "We support the concept of sustainable public transport, we believe in these projects - but no blank cheques, we want to see the facts."

2 Client Relations

The focus this week has been on preparing for the DPD meeting held on Thursday. In the absence of David Crawley I was asked to present the SDS Programme update. My presentation focused on the reasons for slippage (from the analysis included in last week's weekly report). Willie Gallagher's reaction was one of frustration that the programme is not being achieved and he expressed his dissatisfaction with all parties at the meeting, including

Edinburgh Tram SDS Contract – Weekly Report

tie, CEC, Transdev, and Transport Edinburgh Ltd, (TEL). I had made it clear that PB should shoulder a small part of the responsibility for slippage over the last four weeks, but by tying a large proportion of the slippage to the outstanding Critical Issues I was able to demonstrate that all parties need to change their approach if the project is to be completed successfully. I believe this message was understood and certainly Duncan Fraser as CEC representative has already taken on board the urgent need for issues to be unlocked.

I requested a separate session with Willie Gallagher after the main meeting to which he also invited Matthew. I reiterated the message that whilst PB clearly has to continue to meet its delivery commitments **tie** needs to be fully aware of the need for the other stakeholders, primarily CEC and TEL, to work harder to resolve issues which are currently holding up design progress. Willie's response was that he was only the Chairman of **tie**, not a Director, and not a Manager. He then stated that he expects both Matthew and I to manage the project through to a successful conclusion by ensuring all the stakeholders are engaged to the extent required to pull the programme back on track. His suggestion of joint responsibility for what is really a **tie** project management responsibility should be debated at a more appropriate time but I didn't argue the point at what was a constructive and thoughtful ten minute session between the three of us. Willie has suggested we reconvene at some point over the next two weeks once he is clear of the Audit and that would be a better time for me to reinforce the points relating to wider stakeholder responsibility and the need for **tie** to execute its project management role more effectively.

Talking with Matthew after the two sessions he expressed himself pleased that the issues of programme slippage had now been aired fully and that the facts had been presented in such a way that no-one, especially CEC and TEL, could avoid responsibility. Clearly he must carry some of the responsibility for this not having occurred before now.

In summary, the working relationship with Matthew, (and with David Crawley), is strengthening and provided Willie takes the time fully to understand the analysis of the current position PB should come out of this stronger altogether.

3 Contract

Nothing more to report this week.

4 tie Master Programme Reprioritisation

Production of a final version of the reprioritised programme by Geoff Gilbert remains outstanding. Work on this exercise has essentially been halted pending the completion of the Audit Scotland review. However, **tie** is now reviewing whether it would be possible to bring forward the Infracore financial close milestone to before the end of this calendar year. This would reduce the currently proposed slippage from the original October 07 date to the March 08 date proposed in the reprioritised programme.

5 Critical Issues

This week's special meeting to action clearance of the remaining Critical Issues was held on Thursday. Table 1 shows performance achieved in clearing the high, medium, and low design impact Issues since w/c 19 Feb. Table 2 shows current status by Section.

This week's meeting was a skeleton session given that several of the regular participants were attending the DPD. The minimal progress achieved adds weight to the conclusions

Edinburgh Tram SDS Contract – Weekly Report

reached at the DPD for more proactive attention to progress by the stakeholders and David Crawley and I have now agreed a plan for specific discussions with individual stakeholders next week to spell out the need for accelerated progress.

6 Finance

6.1 Engineering Review of SDS Proposed Changes Meeting (Two weekly cycle)

Wednesday's SDS Project Management Meeting chaired by Tony Glazebrook addressed 24 PB Change Requests, categorised as follows. The follow-up actions will be cleared to allow close-out at the next meeting in two weeks time.

• Requests tabled	24	£698,000
• Disputed by tie with the action on PB to provide additional information to support the requests	0	
• Agreed by tie with the action on tie to issue change notices	5	£72,000
• Agreed in principle by tie with the action on PB to provide further information prior to agreement of valuations	8	£191,000
• Withdrawn by PB	2	£15,770
• Discussed, with the action on PB now to issue formal change request	6	£342,000
• Deferred	3	£78,000

6.2 Financial Review of Historic Changes Meeting

As reported last week, Tony Glazebrook is now to encompass the resolution of outstanding historic change control issues as part of the normal project management duties. To that end a special meeting has been called for Friday 15 June to handover the review currently in progress with Geoff Gilbert and John McNicholls.

6.3 Commercial Review Meeting

6.3.1 Prolongation Claim

The first review of the claim submitted to Mathew last week has now been set for Friday next week with Greg Ayres also in attendance

7 Operations

7.1 Version 15 of the PB SDS Programme

Table 3 replicates the “dashboard” chart submitted to the DPD Meeting.

The chart for the period shows SDS contract actual performance measured by Version 15 of the SDS programme, (effective date 07 May), against performance planned at Version 14, dated 09 April. The performance is measured as cumulative starts and finishes, actual versus plan, for the activities which constitute the SDS P3e programme – approximately 5800 in total.

The dashboard shows an adverse variance from plan for activity starts over the four week period 09 April to 07 May, with only 149 of the planned 485 total activity starts having been achieved. The detail analysis underlying this overview was presented in last week's report.

Edinburgh Tram SDS Contract – Weekly Report

8 Other Issues

Nothing to report

9 Weekly Look-ahead

- Monday. Detailed review of PB Design Team progress – Manchester, Birmingham, & Godalming
- Wednesday. Meetings with Stakeholders to highlight the need for special actions to resolve outstanding issues which are preventing design completion
- Thursday. Critical Issues Special Meeting no 10. (David Crawley Chair)
- Thursday. Tram Project Board
- Thursday. Procurement Programme review with **tie** /CEC. (Geoff Gilbert Chair)
- Friday. Prolongation Claim Negotiation – initial meeting. (Ayres /Reynolds /Crosse)

10 Immediate Challenges for the week ahead

10.1 From Last Week

- Finalisation of a realistic programme to completion acceptable to SDS. *On hold*

10.2 For Next Week

- Initial negotiation of prolongation claim

Edinburgh Tram SDS Contract – Weekly Report

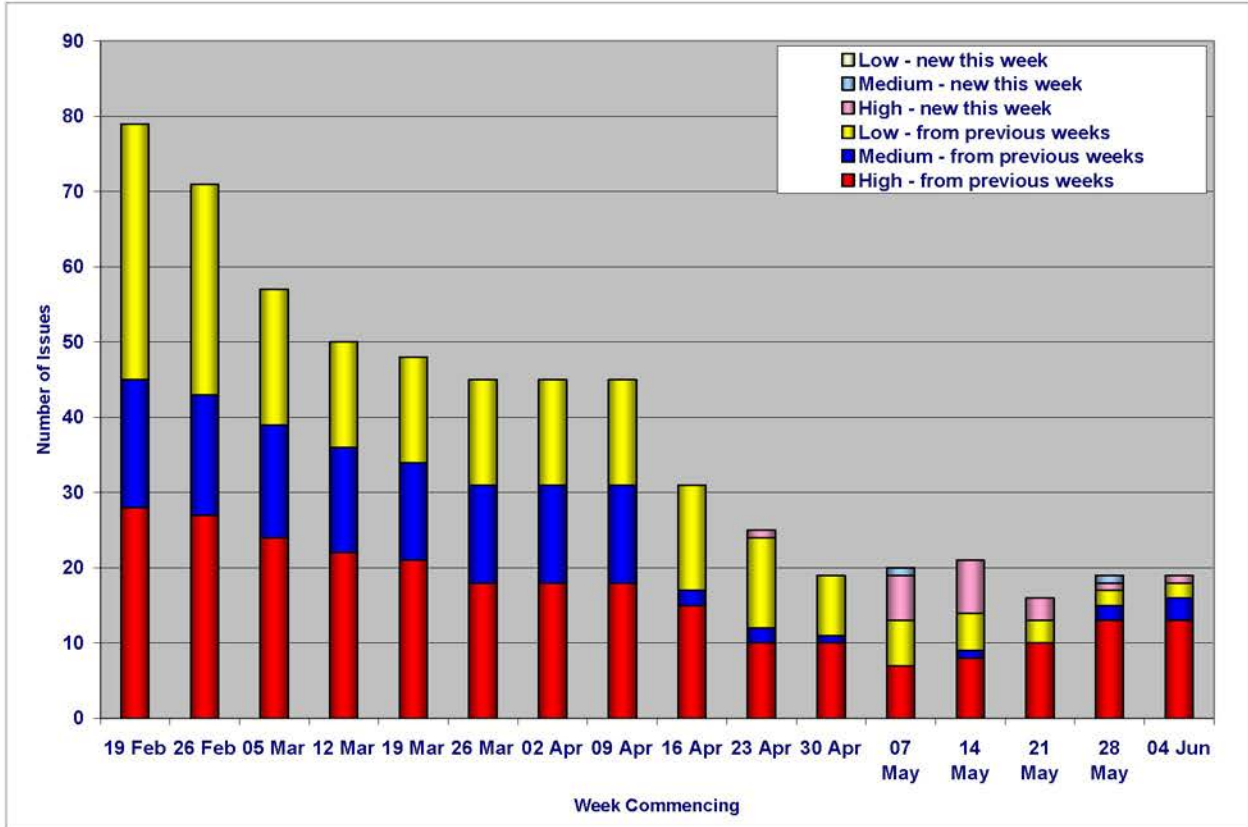


Table 1 Critical Issues Clearance Progress

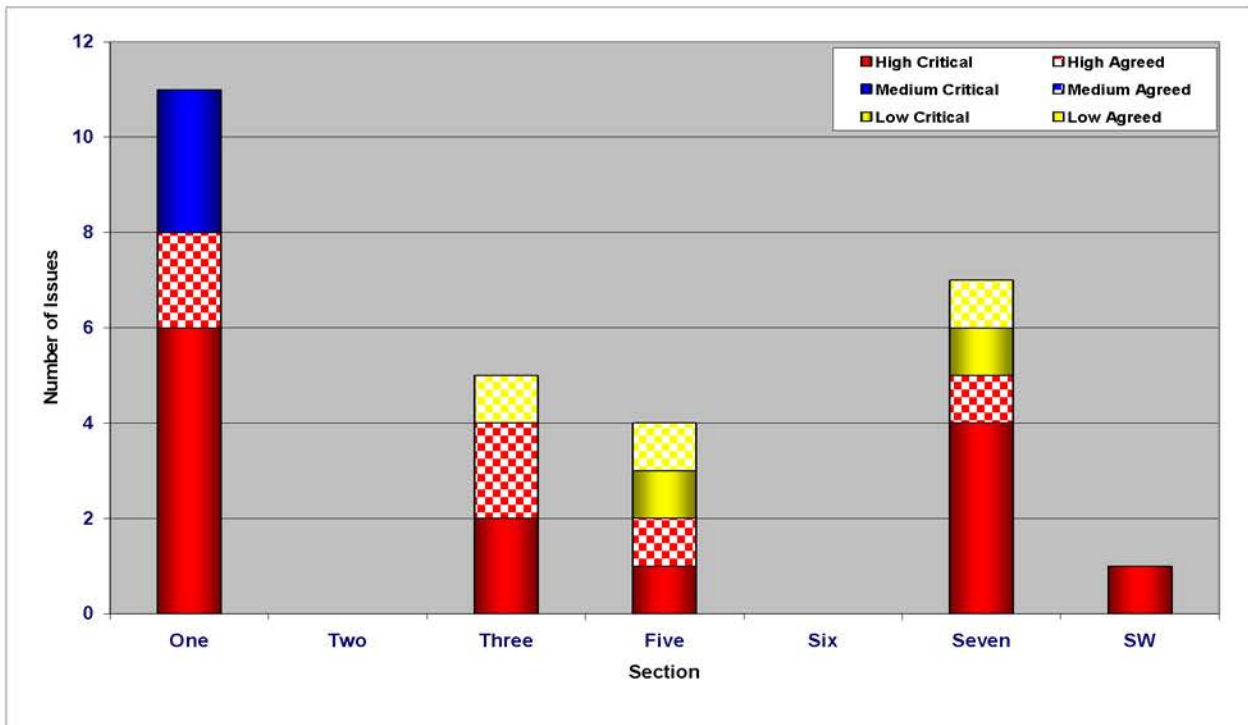


Table 2 Critical Issues Current Status by Design Impact & Section
 (Solid bars show outstanding Issues. The hatched portions represent Issues for which agreement has been reached but written confirmation remains outstanding)

Edinburgh Tram SDS Contract – Weekly Report

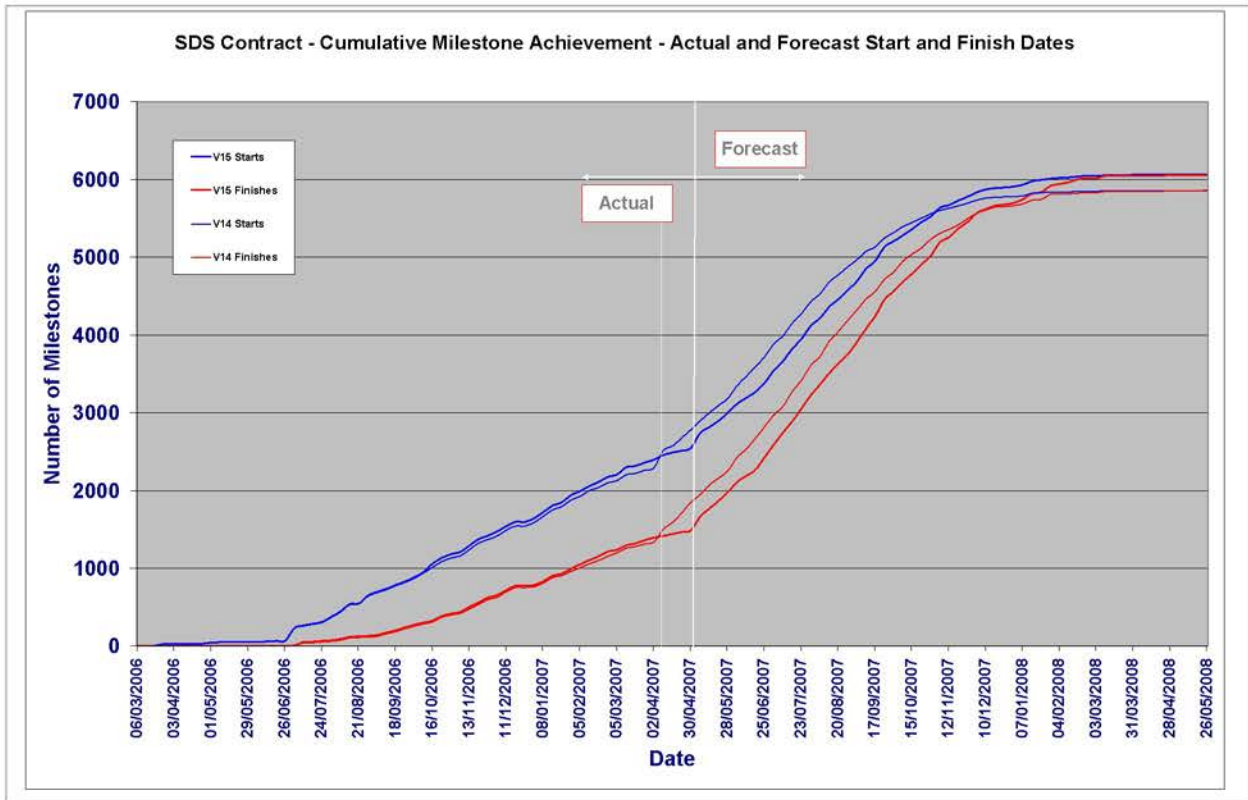


Table 3 SDS Contract Dashboard