
From: Stewart McGarrity
Sent: 12 December 2005 18:05
To: 'Trudi Craggs'; Barry Cross
Subject: RE: ETL1 Response re Leed Supertram

Trudi / Barry,

How about this:

It is not possible for tie to comment on the specific reasons as to why the final proposed costs of Leeds Supertram were deemed to be excessive and unacceptable by the Secretary of State. It is however worth noting that tie's procurement strategy has been predicated on effectively managing the risks which have given rise to unaffordable tender prices on tram project throughout the United Kingdom. The elements of tie's procurement strategy designed to manage risk and prevent cost increase are documented in the *Edinburgh Tram Progress Report - September 2005* and include:

- **Separation of operations and systems delivery** - When the project moves into the operations phase, farebox and operating cost risks will largely fall to the public sector via CEC. The cost in the form of increased tender prices submitted by the private sector to assume these risks have been a major contributor to affordability problems on other schemes in the UK.
- **Early involvement of designer** - This allows tie to advance design work for the higher risk sections of Lines 1 and 2 with respect to diversion of utilities, progression of planning consents and the interface with other modes of transport including Network Rail, buses and other road users. The SDS contractor will focus detailed design activities on reducing the planning and estimating risks that bidders for the infrastructure contract are exposed to. This aim of this work is to eliminate these risks from the consideration of the tender prices to be submitted for the infrastructure and vehicle contracts. It will also facilitate advanced works on utility diversions, another area where both programme and costs would present considerable risks and therefore tender prices to be paid to the private sector but which tie and CEC can manage without such risk transfer.
- **Utilities undertaken as advanced works** - A significant benefit arising from undertaking design early is that tie can procure and implement necessary utility diversions early and before award of the main infrastructure and vehicle contracts. The risk of delays and/or disjointed sequencing of work introduced by dealing with a third party (the utility companies) interface has led to significantly increased tender prices where this risk has been passed to the private sector on other projects. By procuring utility diversions directly tie will minimise disruption and maximise construction productivity.
- **Separate selection of infrastructure and vehicle providers** - Separate procurement of these two key elements of Lines 1 and 2 will increase competition for the infrastructure contract because the relatively small number of vehicle providers would otherwise limit the number of integrated consortia that could bid.

In addition tie has implemented a rigorous regime of cost control through which it will monitor the quality and cost-effectiveness of solutions being prepared by the design contractor and ensure there is no tendency towards solutions which do not provide the overall best value for money. tie will track the estimated cost of the system throughout the design period, so that potential cost overruns can be identified quickly and mitigating actions taken while there is still scope to change the solution.

Stewart

From: Trudi Craggs [mailto:Trudi.Craggs@dundas-wilson.com]
Sent: 12 December 2005 08:06
To: Barry Cross; Stewart McGarrity
Subject: ETL1 Response re Leed Supertram
Importance: High

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Barry/Stewart

Just a quick reminder that I need from you by close today the draft response in relation to the above, as requested by the line 1 committee - a copy of the request is attached for ease.

I look forward to hearing from you.

Regards

Trudi

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