

Phoenix – Summary (Costs for Airport to SAS Based on BSC to HYM)

Options Considered	tie View £m	BSC Offer £m	BSC Offer £m
<b>Spend to Date:</b>			
Non-BSC Costs to Date (a)	236.5	236.5	-
SDS (Post Novation Design) Costs to Date (b)	9.0	9.0*	9.0
CAF (b)	47.5	47.5*	47.5
BB+S Spend to Date ('Premium' £33m included) (b)	113.0	113.0*	113.0
BB+S COWD accounting adjustment 'to go' (f)	11.0	11.0*	11.0
<b>Sub-total Spend to Date (P11 2010/11)</b>	<b>417.0</b>	<b>417.0</b>	<b>180.5</b>
<b>Spend 'to Go':</b>			
Non BSC Project Costs 'to Go' (c)	29.9	29.9	-
Non BSC Construction Costs 'to Go' (HYM to SAS) (d)	19.2	19.2	-
Mediation & Professional Fees (g) & Reinstatement Costs (e)	5.5	5.5	-
<b>Sub-total-Non BSC Costs 'to Go'</b>	<b>54.6</b>	<b>54.6</b>	<b>-</b>
<b>BSC Costs 'to Go':</b>			
BB+S 'to Go' Infrastructure to Haymarket (d)	123.8	244.7*	244.7
CAF, SDS Cost 'to Go' (f)	16.0	24.0*	24.0
<b>Sub-total BSC Costs 'to Go'</b>	<b>139.8</b>	<b>268.7</b>	<b>268.7</b>
<b>Further Delay/Risk 'to Go' (d)</b>	<b>20.0</b>	<b>20.0</b>	<b>-</b>
<b>Settlement</b>			
Add Back Differential of Evaluation vs. Cash	-33.2	-	-
Add delay Allowance (9 months)	21.0	included	
Other Entitlements (excluding further EoT allowance 'x')	19.0	-	
<b>Sub-total Settlement (excluding further EoT 'x')</b>	<b>6.8'x'</b>	<b>-</b>	<b>1</b>
<b>Total</b>	<b>638.2'x'</b>	<b>760.3</b>	<b>449.2</b>

## (Appendix I) – Phoenix - Summary Totals Only

(Costs for Airport to SAS Based on BSC to HYM)

**Edinburgh  
Trams**

Options Considered	tie Phoenix Position £m	BSC Phoenix Offer Basis £m	BSC Phoenix Offer £m
BB+S Costs (to Haymarket)	247.8	368.7	368.7
CAF	62.5	65.4	65.4
SDS (Post Novation)	10.0	15.1	15.1
<b>Sub-total BSC Costs</b>	<b>320.3</b>	<b>449.2</b>	<b>449.2</b>
<b>Further Delay/ Risk 'to Go' with BSC</b>	<b>20.0</b>	<b>20.0</b>	
Non BSC Construction Costs (HYM to SAS) (d)	19.2	19.2	
Non BSC Project Costs	266.4	266.4	
Mediation & Professional Fees (g) & Reinstatement (e)	5.5	5.5	
<b>Sub-total Non-BSC Costs</b>	<b>291.1</b>	<b>291.1</b>	
Add Back Differential of Evaluation vs. Cash	-33.2	-	
Add delay Allowance (9 months)	21.0	Included	
Other Entitlements (excluding further allowance EoT 'x')	19.0	-	
<b>Sub-total Settlement (excluding further EoT 'x')</b>	<b>6.8'x</b>	<b>-</b>	
<b>Total</b>	<b>638.2'x'</b>	<b>760.3</b>	<b>449.2</b>

- BB+S Certified to date is £124.0m. This includes a cash versus value differential of £33.2m
- CAF base contract is £58.5m. tie phoenix view includes a £4m risk allowance
- SDS tie position includes £2.0m risk, and prudent allowance for design completion (£10m) in HS variable items

Note: £449.2m is the rounded total of BB+S, CAF & Siemens elements - rounded CAF up from £65.3m to £65.4m to match

2

(Appendix II) Phoenix - Construction Price Comparisons  
 Airport to Haymarket (BB+S, excluding CAF/SDS)



	tie Deckchair - £m	(PP1A) tie Assessed Value - £m	tie Priced BOQ - £m	C. Sweett Market Rates -£m	Project Phoenix
Bilfinger Berger (civils)	97.9	85.6	83.2	80.2	
Siemens	58.5	57.1			
Prelims	40.5	52.9			
EoT	21.0	18.5			
Princes St (including PSSA)	13.5	13.5			
Section 1A works	4.2	3.5			
Premium	33.2	-			
Other Entitlements	-	19.0			
<b>Total</b>	<b>268.8</b>	<b>250.1</b>			<b>368.7</b>

- tie and Cyril Sweett further assessments of civils provides comfort to 'Deckchair' values
- Cyril Sweett prelims assessment verification of view taken on civils
- Comparable 'Phoenix figure vs. Deckchair £268.8m is £368.7m BB+S - £100m 'gap'.

(Appendix III) – Phoenix -‘Premium’ & Other Entitlements  
 Evaluation vs. Cash to date (BB+S, excluding CAF/SDS)



Potential Other Entitlements	Potential Liabilities Low - £m	Potential Liabilities QS view - £m	Potential Liabilities High - £m
Siemens Materials (past Haymarket)	3.1	<b>8.1</b>	15.1
Disruption (SC Demobilisation/ Mobilisation)	1.9	<b>3.8</b>	7.6
BB+S Disruption	1.0	<b>1.6</b>	3.2
Deterioration of works	1.0	<b>1.5</b>	3.0
Escalation	0.0	<b>4.0</b>	4.8
<b>Total Other Entitlements</b>	<b>7.0</b>	<b>19.0</b>	<b>33.7</b>

- Premium: BB+S (£33.2m) is the cash vs. value differential at March
- Siemens Materials assumed £26m materials of which 31% are past Haymarket
- Disruption assumes 2 months of the 6 months to **tie** for BB+S Cessation of works
- BB+S Disruption is prudent as assumes working with full compliment
- Assume an allowance for works deterioration (5%) as a result of cessation of works
- Escalation included at 5% of contract works + prelims
- This does not provide for EoT beyond our 9month assessment (£21.0m) ‘x’

4

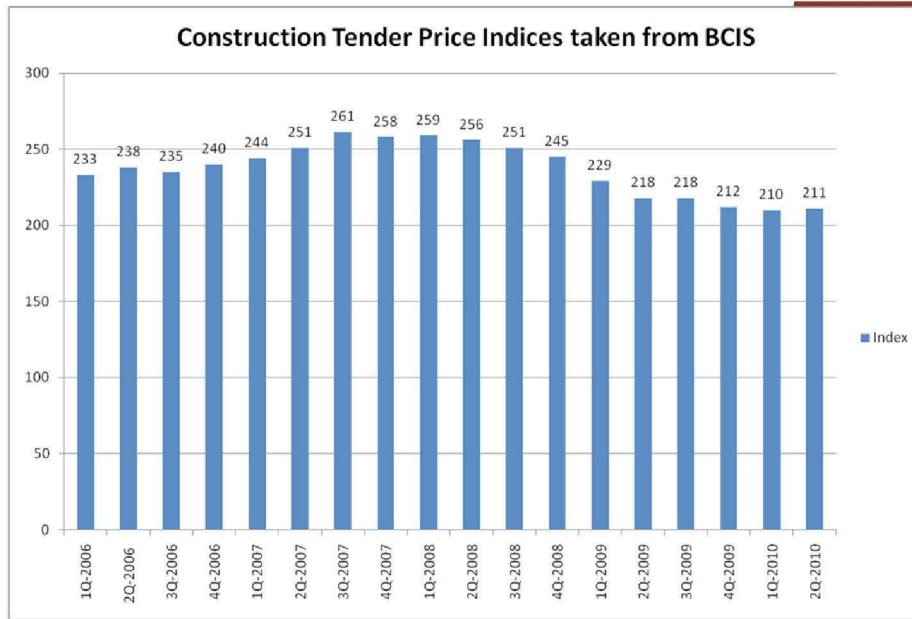
## (Appendix IV) Separation - Summary

Options Considered	tie Separation Position £m	Likely BSC Separation offer
Non-BSC Costs to Date (a)	236.5	
SDS (Post Novation Design) Costs to Date (b)	9.0	
CAF (b)	47.5	
BB+S Spend to Date (b)	113.0	
BB+S COWD accounting adjustment 'to go' (f)	11.0	
<b>Sub-total Spend to Date (P11 2010/11)</b>	<b>417.0</b>	
Non BSC Project Costs 'to Go' (c)	34.9	
Non BSC Construction Costs to Haymarket (d)	123.8	
Non BSC Construction Costs 'to Go' (HYM to SAS) (d)	19.2	
Non BSC 'Other Costs 'to Go' (e)	14.4	
Other highly variable costs (g)	13.0	
<b>Sub-total-Non BSC Costs 'to Go'</b>	<b>205.3</b>	
CAF, SDS Cost 'to Go' (f)	16.0	
Add Back Differential of Evaluation vs. Cash	-33.2	
Other Entitlements	19.0	
Settlement Premium	'x'	
<b>Total</b>	<b>624.1'x'</b>	

- Assumes the total BSC payment is £124m (Certificate figure end Feb). Leave Immediately.
- Infracost premium of £33m vs. evaluation of works

5

# (Appendix V) Separation – Tender Price Indices



- Tender price indices from the BCIS website indicates Pricing today is equivalent to 2004 levels

## (a) Phoenix Update – Spend – Non-Infraco



Non-Infraco Cost Category	Costs to P11 2010/11 £m
Phase 1b Payment to BSC	3.2
SDS (pre-novation design)	28.7
Utilities & Other Infrastructure Costs	95.2
Project Costs to Date	74.2
Other Costs – including land	35.2
<b>Total Non-Infraco Spend to Date</b>	<b>236.5</b>

- Ph1b BSC payment not part of Infraco Certification (separate issue for mediation)
- SDS pre-novation design costs before Infraco novation to BSC. Will not change
- U & Other Inf. Costs: £62.5m (CUS); SUC's £9.6m; Clancy £5.5m; S1a £3.4m
- Project Costs (Breakdown per TPB presentation). Base £580k pcm + (£0k-£500k)
- Major items include CEC land, Insurance & JRC. Insurance only variable

## (b) Phoenix Update – Spend - Infraco



Infraco Cost Category	Costs to P11 2010/11 £m
Preliminaries & Initial Milestone Payments	80.1
Construction Milestones	21.1
Changes Certified	22.8
<b>Certified to Date BB+5</b>	<b>124.0</b>
CAF	47.5
SDS Post Novation Design	9.0
<b>Total Infraco Cost to Date</b>	<b>169.5</b>
Add back Differential of Evaluation vs. Cash	-33.2
<b>Total Infraco Value to Date</b>	<b>136.3</b>

- Our latest Commercial evaluation shows 'value' to be £90.8m vs. £124m certified
- This is a shortfall of -£33.2m of evaluation versus Certified.
- CAF certified is £47m and Cost of Work Done £47.5m
- SDS Certified £8.4m post novation with £9.0m costs recognised to date

8



(c) Phoenix Update – Other  
Project Costs ‘to Go’



Incremental Delivery Options Non-Infraco Cost Category	Project Costs £m	Further Costs Forecast £m
Utilities & Other Infrastructure		4.9
Staff PM Costs	10.9	
DPOF	5.0	
Other Resource (TEL, TSS, CEC, other legal)	2.3	
Overheads, Rent, Rates & ICT	4.3	
Communications	0.7	
<b>Project Costs</b>		<b>23.2</b>
Other Costs – Including land		1.8
<b>Other Project Costs ‘to go’</b>		<b>29.9</b>

- Utilities & Other majors include Baltic Street (£1.2m) + further utilities risk (£3.0m)
- Project costs – assumes Staff PM savings (zero-base cost exercise required. Largest risk)
- Overheads run rates to be challenged and reduced to achieve Project Costs forecast
- All Project Costs require a baseline programme link for bottom-up costing

(d) Phoenix/ Separation Update:  
Construction 'to Go' /New Procurement



Incremental Delivery Options Non-Infraco Cost Category	Further Costs Forecast - Low £m	Further Costs Forecast - QS View £m	Further Costs Forecast - High £m
Infrastructure – to Haymarket	119.8	<b>123.8</b>	148.2
Infrastructure – to St. Andrews Square	17.4	<b>19.2</b>	20.2
<b>Sub-total to St. Andrews Square</b>	<b>137.2</b>	<b>143.0</b>	<b>168.4</b>
Infrastructure – to Foot of the Walk	30.7	<b>35.1</b>	36.6
Infrastructure – to Newhaven	40.3	<b>45.9</b>	56.0

- 'To Go': Calculated Total Construction Cost /less BSC evaluation of works PTD
- QS view are the figures referred to in documents, although ranges are available
- Allowance for 9 months delay (£21m) now a 'below the line' settlement figure
- Off Street assumes CWP + Changes and a contamination allowance (range £4m-8m)
- Prelims allowances (L 22.5%; M 27.5%; H 35%) of Direct Costs
- On Street allowances are based upon BOQ's for latest IFC's (includes 15% risk allowance)
- Cyril Sweett pricing assessment due by close on Friday 18<sup>th</sup> February

10

(e) Phoenix/ Separation Update –

Other Costs 'to Go'



Incremental Delivery Options Non-Infraco Cost Category	Further Costs Forecast - Low £m	Further Costs Forecast - QS View £m	Further Costs Forecast - High £m
Interim works & Reinstatement	11.4	12.4	14.9
Securing Sites	2.0	2.0	2.0
<b>Separation related costs</b>	<b>13.4</b>	<b>14.4</b>	<b>16.9</b>
<b>Phoenix (Costs for reinstatement only)</b>	<b>1.5</b>	<b>2.5</b>	<b>5.0</b>
3 <sup>rd</sup> Party Funded items (note only)	-4.3	-4.3	-4.3

- Items included in BOQ's but should be 3<sup>rd</sup> Party funded.
- Outside ETP Ph1a scope (FP, RBS, Public Realm). 3P funding benefit a risk. Therefore excluded
- Interim works (£9.9m). CEC Roads/ tie have agreed the scope & priced by tie Commercial.
- Reinstatement (£1.5m-5m). Range due to specification differences i.e. Remedial works whether by stone setts or tar surfacing
- Securing sites – assumed 12-14mth delay to Infrastructure build at £150k pcm

## (f) Phoenix Update – Costs to Go - Infraco



Infraco Cost Category	Further Costs Forecast - £m
Vehicles - CAF	15.0
SDS design risk	1.0
Accounting adjustment COWD aligned with Cert.*	11.0
<b>Total Infraco Costs – ‘to Go’</b>	<b>27.0</b>

- Immediate separation – the majority of costs ‘to go’ delivered by a new Contractor
- No additional spend with BB+S
- CAF further spend relating to taking remaining Trams (lease/sale of additional trams)
- CAF base contract plus an allowance of £4m risk
- SDS further £1m payment anticipated to SDS - allowance made for full redesign
- Accounts adjustment\* – assumed Certified Value to be final Cost position

12

## (g) Phoenix Update – Highly Variable Costs



Incremental Delivery Options Highly Variable Costs Category	H variable Costs Forecast - Low £m	H variable Costs Forecast - QS View £m	H variable Costs Forecast - High £m
Mediation & Professional Costs	2.0	3.0	4.0
<b>Sub-total Highly Variable elements</b>	<b>2.0</b>	<b>3.0</b>	<b>4.0</b>
Vehicles – Lease/ Sale recoveries (not inc)	-10.5	-10.5	0.0

- Premium: BB+S Certified and paid +£33.2m over our evaluation of the works value
- Redesign allowances felt to be prudent, but at the moment our only view available
- Leasing assumption taken out of Phoenix and Separation (risk – upside to Capital allowance)
- Lease not included would be for 7 trams for 7 years at circa 150k per annum at 7.5% yield
- Separation includes a £5m (Low), £10m (Medium), £15m (High) design cost allowance

13