

Tram Project Board

7 May 2008

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Agenda

- Overview
- HSQE
- Contract Close
 - Negotiations with Infraco
 - Close process
 - Infraco terms – reprise and next steps
- Operations
 - MUDFA
 - SDS – Underlying Performance
 - Infraco mobilisation / Milestones for next 3 months
 - Business Support Scheme

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Overview

Willie Gallagher

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HSQE

Steven Bell

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HSQE

- P1 RIDDOR Accident Investigation completed & being reviewed
 - HSE meeting May 08; HSE unannounced visit to Shandwick Place
- Traffic Management Near Miss Constitution Street
 - Panel of Inquiry underway led by independent director
- Overall
 - AFR now 0.15
 - Increase in incidents
 - Revised and enhanced Safety tours and audit regime underway
 - Contractor Initiatives progressing and being challenged

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Negotiations with Infracore

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Background

- Full set of legal documentation sent to BBS on 22nd April as agreed.
- Meeting with BB & S on 24th April (senior representatives) confirmed all commercial matters concluded.
- Legal diligence proceeds
- WG receives call from BB (Walker) on 30th April a.m. requesting £12m price increase.
- Emergency TPB held same day to discuss
- Meeting of senior principals held 5th May

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Proposal from BBS

- Being driven by BB
- S claim to have sought to influence but no sign of impact.
- BB support for the price increase is sketchy, confused and wholly unconvincing.
- All signs are that it is last-minute unprofessional brinkmanship.
- BB claim their costs are £17m wrong, have reworked internally to arrive at £12m.

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tie / CEC response

- Extreme frustration but tempered by potentially highly undesirable consequences of exiting BBS.
- Alternatives examined (see later) - concluded that seeking a conclusion with BBS still the desired outcome.
- 5th May meeting culminated in a proposal that **tie** would absorb
 - £3m of additional cost in return for tangible contractual and risk improvements ;
and
 - Agree a contingent risk of £3.2m - to meet BBS allocated costs in event that Phase 1B does not proceed.
- BBS response disjointed and confused, coupled with further evidence of horse-trading ; injected new demand for sequential design process, rejected long ago
- Ultimatum sent close of play 6th May- response received this morning, requesting pricing adjustment of £9m and alignment of design process.

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Procurement Background

- Alternative procurement options are :
 - Siemens led consortium with BB replaced (fired by S)
 - Re-introduce Tramlines as under-bidder
 - Full re-procurement
- Each has significant cost and programme risk
 - Cost almost certain to increase above the £12m grab by BBS
 - Programme likely to extend by 3 / 6 / 12 mths under the 3 options
- Must be mindful of regulations – at the £508m deal level, we have concluded that scope for challenge is remote, but further price increases also increase risk of challenge or subsequent criticism.

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Recommendation

- **tie** believes we can justify the final deal under the regulations with the contingent Phase 1B payment and £3m adjustment of terms.
 - If 1B proceeds – no £3.2m payment; 1B doesn't proceed we have other sunk costs to deal with – design, management and possibly utilities.
 - £3m buys benefit, difficult to quantify definitively but real
- Gets the contract signed – cost and programme risk of further elongation is material.
- Alternative options exist but are highly risky
- **tie** recommend proceeding on basis of ultimatum
- Clear risk that BB may exploit position further and that Siemens / CAF / SDS may also hold out the hat

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Infraco – Contract Close

- Infraco Contract Suite
- Formal documents required by BBS
- Close Report
- DLA Report
- QC programme
- **tie** management sign-off → Letter from **tie** Chairman to CEC CE
- CEC CE approval
- Approvals Committee – WG / DM / NR
- Confirmation from DLA on BBS / SDS signing authority
- **tie** and TEL Operating Agreements
- Close

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Infraco terms – reprise and next steps

- Assuming we do not have a response from BBS, appropriate to consider what-ifs
- Issues are :
 - Conclude with BBS suffering price increase v uncertain alternatives
 - Assessing risk factors attaching to alternatives – cost / programme
 - Suitability of BBS as a partner
 - Government / TS involvement and reaction
 - Possibility of credible procurement challenge
 - Communications
- Brinkmanship tactics

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Operational update

MUDFA

SDS

Infraco Mobilisation/ Milestones for next 3 months
Comms and Stakeholders

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MUDFA (1)

- HSQE Follow up of RIDDOR including close out of actions & Constitution Street Traffic Management
- Progress vs. Programme
 - West End Traffic Management Phase 2 implemented as planned 26.04.08
 - Further slippage to revision 06 but critical path delay remains at 2 weeks
 - Rescheduling undertaken to mitigate impact
 - Proposed REV 07 Programme being agreed & involving stakeholders
- Reinstatement initiative being very actively pursued for
 - Leith Walk
 - Constitution Street
 - Shandwick Place

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MUDFA (2)

- Production initiatives
 - Resources and supervision issues being pursued assertively with Carillion Directors to fully implement identified recovery plans.
 - Formal review tomorrow with S Hudson
 - Includes review of Carillion staff performance
 - Utility attendance enhanced to minimise disruption

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SDS – Underlying Performance

- Detailed deliverables progressing
- Task Force Approach to unblock Prior and Technical approvals
 - Underway with good input from CEC Planning, Technical and SDS as well as **tie**.
 - Still some days lost but visible and mitigated
- Issued For Construction Drawings now being issued by SDS and are becoming available for InfraCo.
- Mitigation plans clear and being managed in detail by both **tie**, SDS CEC.

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Infraco Mobilisation / Milestones

- Consortium Site Accommodation at Gogar to be solved
- Planning for Demolitions, Systems support and early works ongoing
- May
 - Gogarburn surcharging
 - Caledonian Ale House Demolition
 - Russell Road site prep
- June
 - Roseburn Demolition
 - Commence Haymarket Viaduct, Murrayfield Tramstop and Earthworks
 - Commence Gogarburn Bridge prep
- July
 - Trackworks commence
 - Murrayfield underpass
 - Depot Building foundations

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Communications and Stakeholders

Colin McLauchlan

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Communications and Stakeholder

- Six Tram Construction Advisers
- Leith Walk Clearance Plan
- Two Tram Logistic Teams – third by July
- Tram Information Boards – eleven in situ since 1st May
- Sponsoring Community stream of Leith Festival May
- 1770 contacts in April - over 1400 directly with Tram Construction Advisers.
- Business Support Scheme – 160 plus applications with over £600,000 committed by end April.

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