

Edinburgh Tram Project

1 – 31 December 2006

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Project Name: Edinburgh Tram

Progress Report No. 6: 1 – 31 December 2005

1. Executive Summary

1.1 Costs and Funding

A detailed tabulation of costs to date, commitments not yet spent and the forecast outturn for 05/06 is included at Appendix i.

Implementation

Outturn costs on Tram Implementation activities during the year to March 2006 have been re-estimated at £14.8m (previously £16.1m), the decrease being primarily due to a further reappraisal of the latest SDS providers programme resources and cost profile. Details of this variance, amounting to a reduction of £637k are contained in section 1.3 of this Executive Summary.

A reprofiling of the Technical Support Services contract (TSS) has also contributed significantly to the decrease to March 2006. Details of this reduction, which amounts to £385k is contained in Section 4.3 Project Spend – Tram Implementation, of this report.

Parliamentary

Funding for additional Parliamentary costs has been approved by SE and effected by a transfer from approved Implementation funding as described above.

The Tram Line 1 budget is £2,932,650, and the anticipated year-end spend against this budget is £2,817,793. This represents a 3.9% under-spend of £114,857.

The Tram Line 2 budget is £1,980,589, and the anticipated year end spend against this budget is £1,920,881. This represents a 3.0% under-spend of £59,708.

1.2 Programme

The parliamentary programme is continuing as planned with major objection withdrawals achieved prior to Christmas.

Work has continued on the SDS contract. Parsons Brinkerhoff has provided its Requirements Definition Phase deliverables on-time (19 December 2005). These deliverables include Management Plans, Functional Requirements Specifications, and Technology Reviews. These documents are being reviewed and commented on by tie, and this will be completed on Friday 20th January 2006. Upon addressing the comments, SDS will progress to the Preliminary Design Phase.

MUDFA – following PQQ process four bidders approved to receive ITN documentation, which tie shall issue upon receipt of funding approval agreements (SE/ CEC) in early Feb 06.

Confidentiality agreements have been concluded with all PU companies and progress continues with Heads of Terms agreements.

Infraco – OJEU is ready to be issued w/c 16 Jan 06 following approval from SE/TPB.

Tramco - tie presentation to bidders taken place with PQQ responses required by 3rd Feb 06.

Land Acquisition – work has commenced on identifying the programme activities, priorities and resources required for the acquisition of all land and property, rights of way, access, building consents and wayleaves necessary for pre-construction activities, construction, operation and maintenance of the tram system and associated infrastructure and support systems.

1.3 Issues that have/will affect Cost or Progress

The SDS provider has been continuing to develop its programme and associated spend profile. Last month, SDS estimated its projected year-end spend to be £7.3m. To achieve the higher level of spend there will need to be a significant deployment of resource and upturn in delivery in January – March 2006. This period marks the commencement of the detailed design phase of the project, so a marked increase should be expected. tie took the view last month that the realistically achievable cost profile on the SDS contract to the end of March 2006 is £6.3m. We have monitored progress closely since then. This month, SDS has reappraised their profile and reduced its year-end estimate to £5.6m. This is attributable to a number of factors, comprising:

- a delay in the commencement of the site investigation works due to quality issues relating to its preferred subcontractor. The works will now extend into May 2006.
- provisional additional work (valued at £1,644,550) was previously profiled to be spent from January 2006 – March 2006. This amount is now allocated evenly over the duration of the preliminary design phase which runs from 1 Jan06 to the 14 August (submission of deliverables, not final sign-off).

The development of an acceptable programme has proved more challenging to SDS than initially anticipated. SDS continue to work on this with tie, and a commitment has been given to make a further submission later this month. Once to a suitable standard, this will provide a greater opportunity for scrutiny and reporting of progress.

1.4 Decisions required re Governance

Progress has been made with regard to the design of the processes for dialogue and agreement for the Tram project (between CEC and tie) which will precede the final presentation of matters to the Tram Project Board. It is now critical with the commencement of SDS that these processes are completed. The position regarding Change Requests is included at Appendix iii.

2. Parliamentary Progress

- Negotiations are continuing with five remaining significant objectors to secure removal of objections on a prioritised basis.
- The Parliamentary process is now drawing to a close. Both Committees have completed their general evidence taking sessions. Tram Line 1 Committee alone, will be questioning the Minister, Leader of the City of Edinburgh Council and the Chief Executive of tie on the question of funding and expense at a single session on 07th February 2006.
- Tram Line 2 Committee has completed its report on the evidence heard. The report was positive and imposed no additional burdens on the promoter.
- Tram Line 2 Committee has now started its “clause by clause” consideration of the Bill aided by frequent inputs from tie and its legal team.
- Tram Line 1 Committee are about 6 weeks behind Tram Line 2 Committee.
- Amendments to both Bills have been drafted with significant consultation and negotiations necessary between tie and the PBU. TL2 is complete but work progress on TL1.

3. Public Relations & Media

Tram Press

Statements have been issued in the last month on:

- Calls for a referendum
- The Edinburgh Household Survey
- Tram Two report
- Line Two/EARL Modeling Report
- “Simpsons” Evening News article (verbally)
- Alistair Darling’s comments on trams
- Badger tunnels and mitigation

In addition:

1. Images and directions were provided to Planning Magazine for report on Line Two
2. A letter has been published in response to Jennifer Veitch’s column in the Evening News
3. FOI request on cost of badger mitigation dealt with
4. FOI request on international trips completed for Evening News
5. Holyrood Magazine feature, content drafted, approved and submitted
6. A meeting with Alistair Dalton, MH and IK has taken place

Community

The tram exhibition stand has been to the following companies:

- Scottish Gas

- BT
- Oracle/Convergys/WSP
- Bank of Scotland
- Telewest

Website – Q&A and timeline have been updated

Work on a paper to recommend the future approach to CLG's and Community Council meetings is ongoing. This is based on our requirements and the vast amount of feedback received from a questionnaire sent to all groups involved in Liaison.

Political

Meetings with David McLetchie MSP, Lord James Douglas-Hamilton MSP and David Davidson MSP have all taken place

Newsletters

The December tramtime e-newsletter has been sent to all interested parties and stakeholders. This happens monthly with the next update at the end of January and featuring the Full Council Report.

The January printed issues of traveltimes have been issued.

Strategy

The strategy for communications post Royal Assent has been delivered and will be approved over the coming week. The next strategy for delivery is the Tram Communications Strategy due at the end of this month. This Strategy will include the detailed communications needed for the Public Utility work and construction, meetings have taken place with existing utility companies to ascertain their approach and best practice on customer information and call centers.

Stakeholder Strategy

Work on Primary, Secondary and Political Stakeholders is ongoing and a detailed matrix of all contact has been delivered and is being developed and updated daily. Regular reporting will take place to ensure all parties are kept informed as to progress.

A meeting requested by the Scottish Executive to discuss Stakeholders will take place on 19 January and will be attended by Barry Cross, Suzanne Waugh, Sam Kelly, Fiona Spencer and John Ramsay.

The December issue of the Stakeholder e- Newsletter has been issued.

Tram fact sheets (modules) continue to be developed to answer many of the questions being asked. These will support the Stakeholder work that is ongoing.

Meeting with Chamber of Commerce

Following the meeting on 6 December with the Chamber to discuss plans further meetings have been ongoing to discuss possible compensation packages. We will also attend the Chambers January Transport Group meeting to answer questions.

4. Project Spend: Actual Versus Budget & Anticipated Cost to Year End

Note: December month end costs, where applicable, are based on estimates and these will be confirmed upon receipt of invoices.

A tabulation of the costs, commitments and forecasts for both Implementation and Parliamentary activities is included at Appendix i.

4.1 Line 1 Parliamentary

- The Tram Line 1 budget is £2,932,650, and the anticipated year-end spend against this budget is £2,817,793. This represents a 3.9% under-spend of £114,857K.
- The successful removal of objections to the Parliamentary Bill over recent weeks will undoubtedly result in a downturn in the amount of technical support required on this aspect of the project. This will continue to be monitored closely, but it is not expected that there will be a reduction in anticipated spend until year end.

Appendix ii shows a graphical representation of actual spend against the forecast.

4.2 Line 2 Parliamentary

- The Tram Line 2 budget is £1,980,589, and the anticipated year end spend against this budget is £1,920,881. This represents a 3.0% under-spend of £59,708K.
- The successful removal of objections to the Parliamentary Bill over recent weeks will undoubtedly result in a downturn in the amount of technical support required on this aspect of the project. This will continue to be monitored closely, but it is expected that there will be a reduction in anticipated spend until year end.
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Appendix ii has a graphical representation of actual spend against the forecast.

4.3 Tram Implementation

- Costs to end December amount to £6.12m compared to the forecast costs to November in the original budget of £13.97m. The underspend being mainly due to the delayed award of SDS and JRC (planned for end of May when the budget was prepared) together with the consequential rephasing of related activities.
- Forecast outturn costs for the year to March 2006 have been re-appraised as £14.8m (November £16.1m) including a required contingency of £0.8m.
- Details of the individual sub elements of the outturn forecast that present a significant variance with the sub elements of the outturn forecast presented at the end of November are as follows:

- SDS (Bud Ref 4) – a reduction of £637k in forecast expenditure to the end of March 2006. Details of this variance are contained in section 1.3 of the Executive Summary attached to this report.
- TSS (Bud Ref 6) – a reduction of £385k in forecast expenditure to the end of March 2006. Reduced involvement (prioritised), of TSS in the SDS Requirements Definition Phase review of the design contract has contributed to this downturn. The project is currently utilising tie members where possible to reduce the burden on TSS and therefore project expense. In addition, the progress of SDS deliverables has impacted TSS commercial and engineering support requirement for Dec to March 2006.

Appendix ii has a graphical representation of actual spend against the forecast.

5. Programme

5.1 Planned versus Actual

Key Deliverables	Activities /	Original Completion Date	Projected completion Date	Status
Appointment of TSS		27 th June 2005	18 th July 2005	Slippage due to delayed funding.
Appointment of SDS		27 th June 2005	19 th September 2005	Slippage due to delayed funding and SDS signatories.
Appointment of JRC		27 th June 2005	6 th September 2005	Slippage due to delayed funding.
TL1: Achievement of Royal Assent		31 st December 2005	31 st March 2006	Anticipated to be completed end of Mar '06
TL2: Achievement of Royal Assent		31 st December 2005	31 st March 2006	Anticipated to be completed end of Mar '06
Design Requirements Definition		31 st December 2005	19 th December 2006	Accelerated within SDS contract
Submission of Outline Business Case		28 th February 2006	28 th February 2006	On target
Completion of preliminary design (critical sections)		31 st December 2005	October 2006	Delay in award of SDS contract – no impact on tender issue for MUDFA, Infracore or Vehicles

Key Activities / Deliverables	Original Completion Date	Projected completion Date	Status
			contract. Also, design has been staged by geographical sections to dovetail with construction and commissioning programme.
Completion of Detailed Design (crucial sections)	31 st March 2006	30 th October 2006 (all)	Co-ordinates strategy with Infraco preferred bidder(s) selection
MUDFA Award	31 st December 2005	28th April 2006	Delay in funding threatens award
Infraco Award	29 th June 2007	29 th June 2007	On target
Vehicles Award	29 th June 2007	29 th June 2007	On target

5.2 Programme Summary

The parliamentary programme is continuing as planned.

The implementation programme has been re-phased to account for the delay in the approval of the project budget.

The next key milestones relate to:

- ITN for MUDFA to be issued early Feb 06.
- PQQ for Tram issued in Jan 06.
- PQQ for INFRACO to be issued Mar 06.

The Master Summary Programme is unchanged from last month and is attached – the scheduled opening date remains at 1st July 2010.

6. Change Control

6.1 Approved Changes this Month

tie's internal change process is continuing. The changes are tabulated at Appendix iii.

There is no material increase in capital cost to report.

6.3 Disputes, Claims and Early Warnings

Nil.

7. Risk Management

7.1 Completed Activities

The following key activities have been carried out on risk matters in the past month.

- Agreed Risk Register format with SDS that will be used in Active Risk Manager - awaiting an agreed date for going 'live' with web-based system.
- Agreed three risk registers will be utilised covering Project, Safety and Security Risk matters.
- Currently reviewing format of risk management documentation (Plan and Registers) submitted by SDS in conjunction with TSS.
- Due to initiate the procurement procedure for the Owner Controlled Insurance Programme (OCIP) through OJEU publication to be posted within the European Journal.
- Initial Risk Meeting held with SE Programme Managers (Cyril Sweett) to outline approach to Risk Management on project – tie to provide copies of Plan, review SE reporting requirements and invite SE Programme Managers to initial Risk Workshops.
- Meetings held with SDS and TSS to continue evolution of SDS Risk Management Plan to required standard – this has taken SDS longer than anticipated.
- Progressed Risk Remit for MUDFA tenders with the assistance of DLA Piper.
- Received and informed JRC of amendments that are required within their own Risk Management Plan, which is to be incorporated in the SDS Project Risk Management Plan.
- Review of MUDFA Pre-Qualification, Conflict of Interests and Insurances with issue of queries to bidders.
- Utility Diversion Risk Workshop held with TSS and SDS.

7.2 Planned Activities

The following key activities are ongoing throughout next month(s).

- Conclude JRC Risk Management Plan so that it can be included in SDS Risk Management Plan.
- Conclude review of proposed SDS risk management procedures and finalisation of 1st draft of Plan including improved Risk Reporting and planning of risk workshops.
- Development of detailed procurement plan for Tram and Infracore following recent market soundings including increased procurement resources.
- Finalise Insurances and Risk Management requirements within remit for the MUDFA Contract.
- Finalise updates to tie Project Risk Register with support of TSS to pass to SDS to be fed into the ActiveRM software.

- Hold a Cost Estimate Risk Workshop with SE Programme Managers, tie, SDS and TSS.
- Migration of SDS current discipline risk registers and updated tie Project Risk Register to Active Risk Manager to allow analysis of “Top Risks”.
- Resolution of funding for ongoing Parliamentary Committee commitments in 2006 and consequences to date of Royal Assent, commencement of utility diversions and issue of ITT documentation for vehicles, infrastructure contractor and insurances.
- TSS to continue to support tie working on risk management issues including allocating specific risks within the risk register to relevant owners – TSS role in due diligence appraisal of SDS to be reviewed.

8. Safety Management/structural condition surveys and topographical & laser surveys

The following points provide a summary of the main items being worked:

- Induction process for Tram Project has been developed and has been implemented on the SDS personnel undertaking structural condition surveys and topographical & laser surveys. Induction process includes the issue of a photo identity card and sticker for safety helmet upon satisfactory completion of a multi choice test paper.
- Method statements for the structural condition surveys and topographical & laser surveys have been reviewed.
- Process for notification by SDS of method statement submissions has been initiated. This will enable tie Ltd to structure the review process in line with a risk based approach.
- Pre-construction health and safety plan for the intrusive site investigation works has been developed and issued to SDS.
- Pre-construction health & safety plan for MUDFA works is being developed.
- A personal track safety (PTS) training course for tie Ltd personnel has been organised for the 6th & 7th February.

9. Decisions Required

As noted in the Tram Project Director’s Executive Summary for the Tram Project Board.

10. Business Case and Finance

10.1 Funding and Business Case Documents

tie is now working to the delivery of the following requirements and timetable:

- Support paper for Leith to Airport Tram (to be delivered by 25 Jan 06)**
A paper which gives as much detail as possible to support the Leith to Airport tram proposition including:

- Governance regime for the project
- Commentary on financial and operational viability – building upon TEL paper which is in turn built upon tram and bus integrated service patterns forming the control case for testing under the JRC contract
- Commentary of economic benefits and costs of a Leith to Airport tram based upon existing STAG models but flexed to reflect a truncated tram and the same tram and bus integrated service patterns being tested under the JRC contract

This paper will inform the in-principle commitment to project scope and funding (including indexation) by CEC and SE.

b) 'Outline Business Case' (to be delivered by 28 Feb 06)

Incorporating the output from a) above plus:

- Detailed description of the procurement process and programme from now till financial close including risk analysis
- Description of an in-principle funding agreement between SE/CEC and what, if any, private finance will be employed and by what mechanism
- Funding requirements for the period April 06 to Sept 06

Approval to issue tenders for Infraco and Vehicle contracts, award of MUDFA and approval of funding for April to Sept 06 would follow endorsement of this document (Royal Assent to the Bills being the other condition precedent). In practice agreement is required with respect to the funding and financing mechanisms during the early part of February for the procurement programme to be maintained.

c) Draft 'Final Business Case' (to be delivered at end Sept 06)

- Conceived as an extract from the TEL Business Plan and incorporating
- Detailed assessment of financial viability and economic case (including outputs from JRC modelling due to be completed in July/Aug 06)
- Preliminary confirmation of affordability of tram based upon appraisal of first tender prices received for Infraco (return in Sep 06) and Vehicles (return in July 06)

tie are currently planning on the assumption that physical utility diversion would not commence until SE/CEC are satisfied (end – September) that the contents of the Draft Final Business case give them the comfort to approve the start of such works.

For the procurement to continue to proceed in an orderly manner there needs to be broad understanding a commitment to this programme or such other variant as may be agreed.

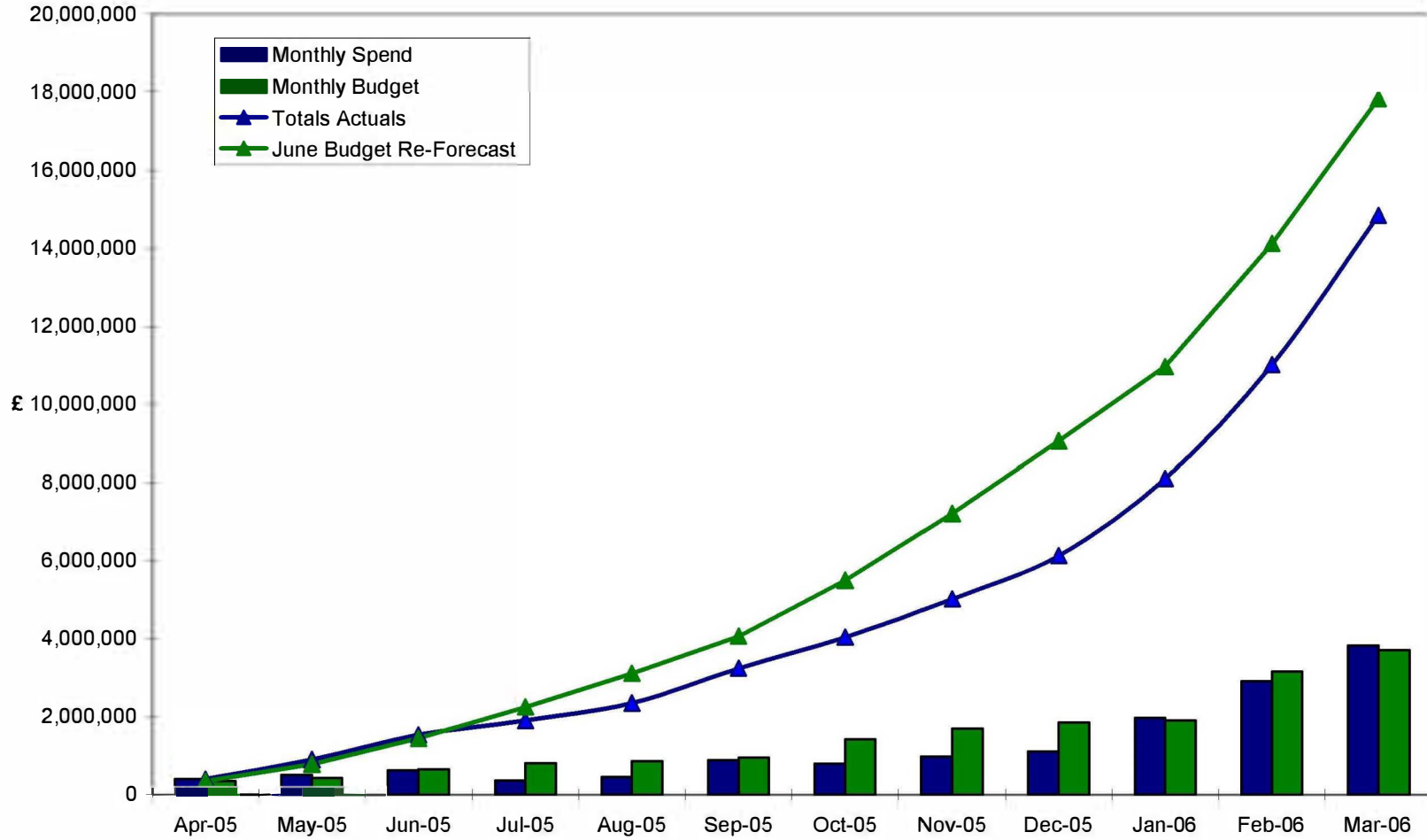
tie Limited

ETN PROJECT PROGRESS REPORT - PROJECT SPEND

Ref	This Month					Last Month	Original Budget		Variances		
	Costs	Costs	Committed	Not	Forecast	Forecast	Costs	Budget	Forecast	Actual costs	
	Month	to date	not spent	Committed	05/06	05/06	to date	05/06	this month	to date	
	1	2	3	4	5=2+3+4	6	7	8	9=5-6	10=7-2	
IMPLEMENTATION											
1	tie RESOURCES	237	1,974	330	563	2,867	2,843	1,990	2,656	24	17
2	DPOF	30	292	75	40	407	407	438	600		146
3	LEGALS	65	405	162	229	796	796	875	1,278		470
4	SDS	557	1,429	1,080	3,161	5,670	6,307	5,620	8,000	(637)	4,191
5	JRC	28	354	135	262	751	745	980	1,148	5	626
6	TSS	122	635	378	801	1,814	2,199	709	1,086	(385)	74
7	UTILITIES	5	21			21	16	405	2,700	5	384
8	DESIGN SUPPORT	18	277	20	36	334	334			(1)	(277)
9	3RD PARTY NEGOT			20	(20)			333	577		333
10	LAND & PROPERTY	2	336	140	128	604	676	468	617	(72)	132
11	TROs		1			1	1	186	213		185
12	COMMS / MKTG		79	10	3	92	97	36	48	(5)	(43)
13	TEL		14	5	3	23	25	56	68	(3)	42
14	SERVICE INTEGRATION	15	40	30	40	110	100	394	597	10	354
15	PUK	4	66	20	16	102	102	81	109		15
16	FINANCIAL ADVISORS	21	159	20	62	241	264	222	282	(23)	63
17	INSURANCE	1	27			27	26	41	54	1	13
18	UTILITIES/INFRACO/TRAM					150	150				
99	OTHER	6	14	10	4	28	28	1	2		(13)
	SPECIFIED CONTINGENCY				791	791	1,010	1,136	1,838	(219)	1,136
	SPECIFIED COSTS	1,109	6,124	2,435	6,120	14,829	16,129	13,972	21,873	(1,299)	7,848
	SCOPE / PROGRAMME CONTINGENCY				121	121	121				
	FUNDED COSTS	1,109	6,124	2,435	6,241	14,950	16,250	13,972	21,873	(1,299)	7,848

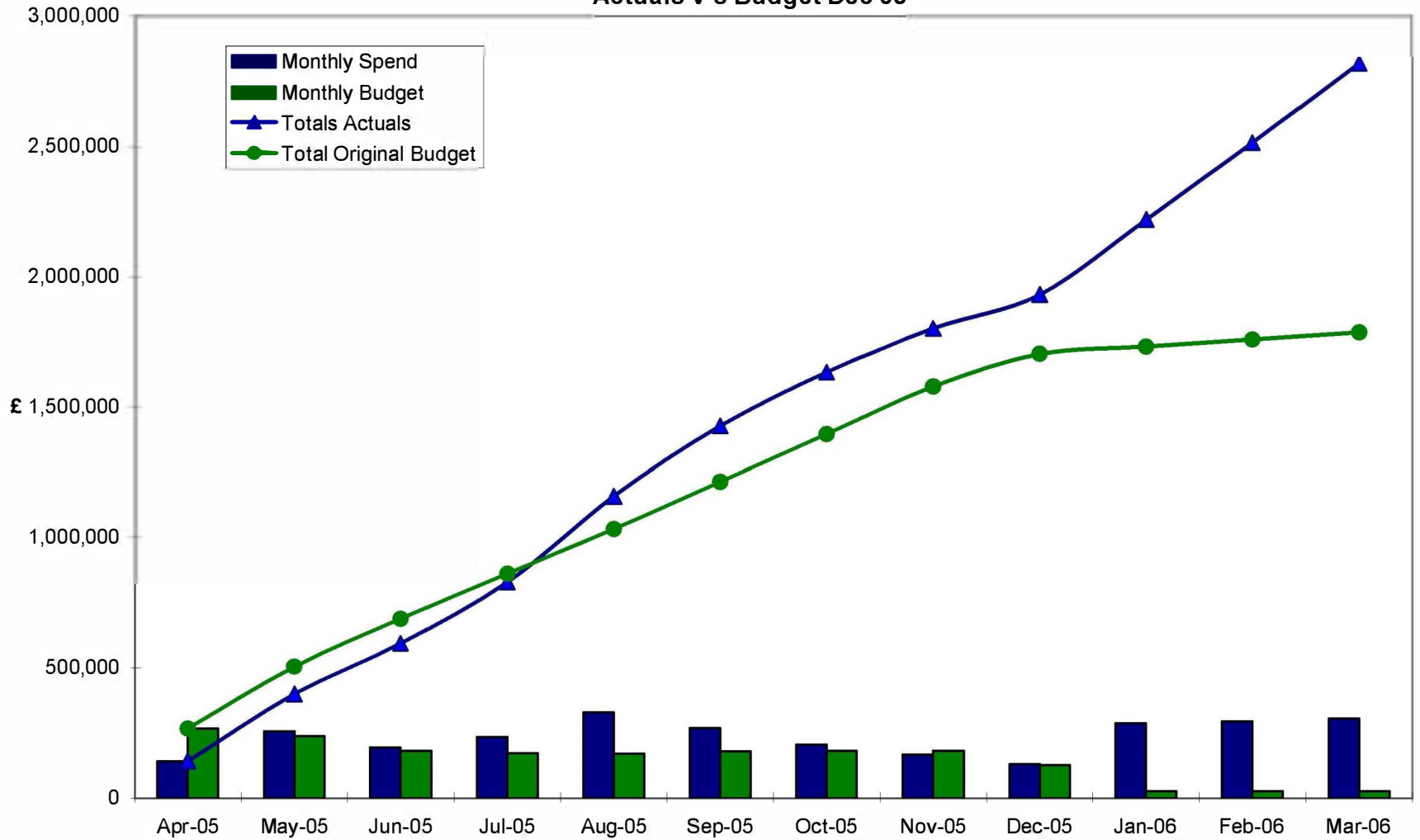
Ref	This Month					Last Month	Original Budget		Variances		
	Costs	Costs to date	Committed not spent	Not Committed	Forecast 05/06	Forecast 05/06	Costs to date	Budget 05/06	Forecast this month	Actual costs to date	
	1	2	3	4	5=2+3+4	6	7	8	9=5-6	10=7-2	
PARLIAMENTARY - TL1											
1	tie RESOURCES	29	159	54	(0)	212	196	151	203	16	(8)
2	TECHNICAL ADVISORS	68	1,233	300	191	1,724	1,839	826	855	(115)	(407)
3	LEGAL	37	541	110	110	761	764	618	618	(3)	77
99	OTHER										
	SPECIFIED CONTINGENCY				121	121	125	108	110	(5)	108
	SPECIFIED COSTS	134	1,933	464	421	2,818	2,925	1,703	1,787	(107)	(230)
PARLIAMENTARY - TL2											
1	tie RESOURCES	32	157	51	4	212	198	149	201	15	(8)
2	TECHNICAL ADVISORS	37	688	150	62	901	977	634	663	(76)	(55)
3	LEGAL	39	492	120	89	701	701	618	618	0	126
99	OTHER										
	SPECIFIED CONTINGENCY				107	107	106	94	96	1	94
	SPECIFIED COSTS	108	1,338	321	262	1,921	1,981	1,495	1,578	(61)	157
	TOTAL SPECIFIED COSTS	242	3,271	785	683	4,739	4,906	3,198	3,364	(168)	(73)
	SCOPE / PROG CONTINGENCY					225	58			167	
	FUNDED COSTS	242	3,271	785	683	4,964	4,964	3,198	3,364		(73)

Implementation Actuals V's Budget Dec '05

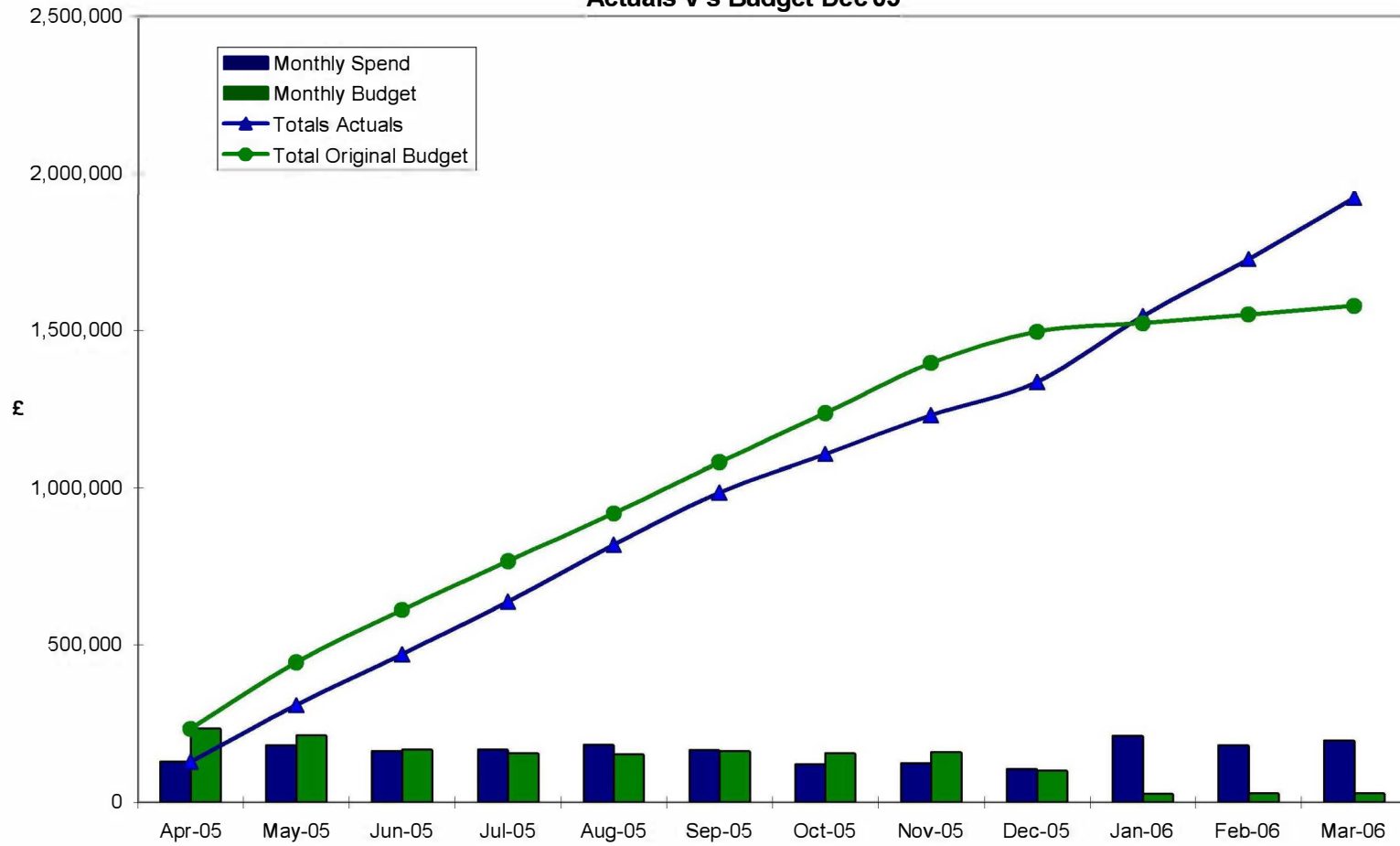


Appendix ii (cont)

Tram Line 1
Actuals V's Budget Dec'05



Tram Line 2
Actuals V's Budget Dec'05

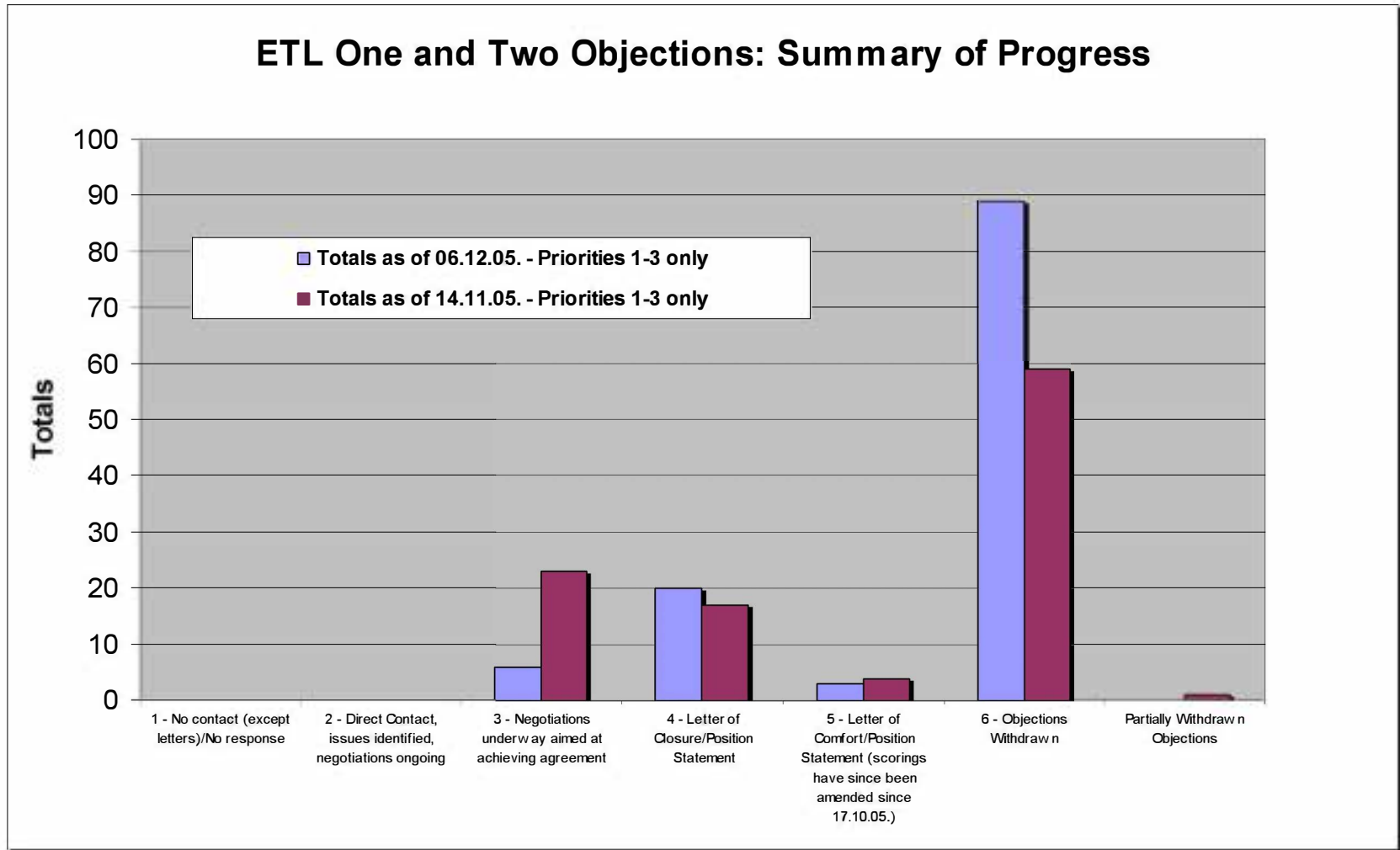


**Appendix iii
Change Requests**

CR No.	Description	tie Approval	TPB Approval	SDS Issued
1	Haymarket Yards	Yes	Approved	Using
2	Gyle Re-alignment	Yes	Approved	Using
3	Baird Drive	Yes	Approved	Using
5	Leith Docks	Yes	Approved	Using
8	Ancient monuments	Yes	Approved	Using
9	Cycles on trams	Yes	Submitted	
10	Partial low floor	Yes	Approved	Using
13	Safety zone	Yes	Approved	Using
14	Wireless Traction	Yes	Submitted	
18	Segregated Princes Street	Yes	Approved	Using
19	Ditto 9 Leith Walk	Yes	Approved	Using
23	Gogar Depot/ BAA	Yes	Approved	Using
27	NHS worksite	Yes	Not req'd	Using
28	Stop locations Princes St.	Yes		Developing
32	Crewe toll interchange	Yes	Approved	Developing
33	Traffic signal priority	Yes	Approved	Using
37	Leith Walk interchange	Developing		Developing
41	Utilities Construction	Yes	Approved	Using
43	Scotrail Car parking	Yes	Current Needed	Using
46	CGM side agreement	Yes	Catch-up	Using
47	Elphinstone agreement	Yes	Approved	Using
48	Stray current	Yes	Approved	Using
50	Tram length	Yes	Approved	Using
51 (b,d)	EARL/TL2 modelling	Yes	Approved	
54	St Andrews Square	Developing		Using
56	PU Budget	Yes	Approved	Using
57, 58	FM model	Yes	Approved	Using
61	TL1 parl	Yes	Approved	
62	TL2 parl	Yes	Approved	
66	Advertising on trams and stops (stops 6-sheet, on-board & all-over wraps)	Yes – OBC fundamental	Approved	Using
67	Ticketing	Developing		
68	Replica	Yes	Approved	
69	TL2 model	Yes	Approved	
70	Land compensation part 1	Yes	Approved	

CR No.	Description	tie Approval	TPB Approval	SDS Issued
73	Turnback @ Haymarket Yards	Yes	Approved	Using
74	BAe alignment/parking	Developing	Approved	Using
76	TL2 model	Yes	Approved	
78	Future proofing TL3	Developing	Approved	Using
79	Additional Modelling (Mgt) - TL1	Yes	Approved	-
80	TL1 Parliamentary - contingency drawdown to balance overspend	Yes	Approved	-
81	TL2 Parliamentary - Additional modelling reqd by MVA.	Yes	Approved	-
82	Instruction to SDS to set-up Project Office for SDS / Tie / TSS	Yes	Pending TPB meeting 23/1/6	-
83	Tram Modules - Instruction to McLean Hazel for Prep of factsheets on need for Tram.	Yes	Not req'd	-
85	Modelling – SDG Programme Acceleration costs	Submitted		-

Appendix iv
Objectors Status



**Appendix v
Programme**

