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## Edinburgh Tram Extension Draft Outline Business Case Preliminary Findings

Item number	8.3
Report number	
Executive/routine	
Wards	11 – City Centre and Leith

### Executive summary

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The City of Edinburgh Council Approved the recommendations presented in the report 'Future Investment in Public Transport - Potential Tram Extensions' on 11 December 2014. This authorised the preparation of an Outline Business Case (OBC) to assess options to extend the current tram line north, into Leith.

Significant progress has been made in developing the OBC and this report sets out the preliminary findings of the work done to date. Further analysis is required however in relation to project cashflows, funding options and the emerging procurement strategy and the report sets out the next steps required prior to any decision being taken on how to progress with any extension of the tram from York Place.

### Links

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Coalition pledges	<a href="#">P18</a> , <a href="#">P19</a> , <a href="#">P45</a> , <a href="#">P46</a> , <a href="#">P50</a>
Council outcomes	<a href="#">CO7</a> , <a href="#">CO8</a> , <a href="#">CO22</a>
Single Outcome Agreement	<a href="#">SO1</a>

## Edinburgh Tram Extension – Outline Business Case

### Recommendations

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- 1.1 It is recommended that the Council:
  - 1.1.1 notes the findings of this report and the emerging conclusions in the draft Outline Business Case;
  - 1.1.2 notes the further work that needs to be carried out in finalising the Outline Business Case including, a formal market consultation, testing and auditing of the financial model and an investigation of alternative funding options;
  - 1.1.3 notes that the work required above in finalising the Outline Business Case can be delivered within the budget allocated by Council in December 2014; and
  - 1.1.4 agrees to receive a further report on the finalised Outline Business Case in autumn 2015.

### Background

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- 2.1 The current tram line runs from Edinburgh Airport to a temporary tram stop at York Place. This involves 14km of tramway accommodating a mix of off-street running and dedicated and shared sections on-street. Tram passenger services commenced on 31 May 2014, and in the first year of passenger operations, patronage numbers have been in line with business case expectations.
- 2.2 Over this same period, Lothian Buses have also seen a year on year rise in passenger numbers, which is encouraging to note and would suggest that public transport usage in Edinburgh is on the increase.
- 2.3 The principle of extending the tram network north to Leith aligns with Council policy from a planning, transport and economic development perspective. The commitment to do so and the implications of starting this process need to be fully scrutinised and understood.

2.4 On 11 December 2014, the Council approved the recommendations presented in the report 'Future Investment in Public Transport – Potential Tram Extension', which were that the Council:

- noted that investment in public transport and active travel is a key enabler in supporting and sustaining the anticipated growth in the capital city, and is a catalyst in driving economic development and employment opportunities in Edinburgh;
- noted against this background and context that it may be appropriate at this time to consider the implications of extensions to the current Edinburgh Tram system and further integration opportunities with other public transport companies, including bus and rail operators;
- noted the expiry dates associated with certain powers as set out in the Edinburgh Tram (Line One) and (Line Two) Acts (2006); and
- acknowledged the requirement for further design work and ground investigation survey work to integrate any future extensions to the tram network with the St James Quarter redevelopment and the Leith Programme projects.

2.5 The Council authorised officers to prepare a detailed assessment into the economic, financial, business case, procurement and programme implications of extending the tram network. This report sets out the preliminary findings of the Outline Business Case (OBC) incorporating these requirements for options to extend the existing tram line within the powers available to the Council under the Edinburgh Tram (Line One) Act 2006.

2.6 There are four options considered in the draft OBC and reflected in this report, these are to extend the tram line from York Place to:

**Option 1** – Newhaven;

**Option 2** – Ocean Terminal;

**Option 3** – Foot of the Walk; and

**Option 4** – MacDonald Road.

2.7 The draft OBC takes cognisance of lessons learned from the previous tram planning and construction phases, and covers the following scope:

- Establish and incorporate the most up to date and relevant planning data available for Edinburgh;
- Refresh the tram/bus integration timetables and operating arrangements and update the tram/bus patronage forecast models in conjunction with Transport For Edinburgh (TfE);
- Update the TfE business plan for additional patronage and revenues against increased operating costs for each option;

- Interface with other projects in the area, including completing a design compatibility exercise for the St James Quarter redevelopment and Leith Programme in the context of balancing the requirements of all road users;
  - Confirm the extent of utilities diversion requirements for interfacing construction works;
  - Determine the outstanding design requirements and consents necessary to take a complete design package through to procurement;
  - Undertake a comprehensive costing exercise taking cognisance of materials available for use in any future extensions to the tramway;
  - Prepare a detailed Cost/Benefit analysis in line with Scottish Government guidance on the basis of an incremental analysis;
  - Identify and evaluate potential funding options;
  - Report on the governance, contract and risk management strategy options;
  - Report on procurement strategy taking cognisance of the existing controls, systems and technology as acquired from INFRACO and CAF to ensure compatibility together with meeting procurement and best value tests; and
  - Provide an outline construction programme and delivery strategy.
- 2.8 Against the background of the Edinburgh Trams Inquiry, and in line with the recommendations of the December 2014 Council decision, the work to develop the OBC was overseen by the all party Future Transport Working Group (approved at the Transport and Environment Committee on 28 October 2014), in conjunction with an officer led Project Board to monitor progress and the approved project budget.

## **Main report**

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### **Availability of Parliamentary Powers and Land Assembly**

- 3.1 The Edinburgh Tram (Line One) Act defines a route accommodating Princes Street, Leith Walk, Leith Docks, Newhaven and Granton, looping back towards the city via an off-street section following the disused railway line between Granton and Roseburn and joining the existing route at Roseburn delta.
- 3.2 The (Line Two) Act overlaps Line One from the city centre and follows a route adjacent to the Edinburgh/Glasgow railway line to Edinburgh Park, then north towards Edinburgh Airport, with a spur line heading west towards Newbridge.
- 3.3 The construction element of the original contract is now complete, maintenance contracts are in place for both the infrastructure and the tram vehicles, as reported to Council on 25 September 2014 and an agreement is in place with the operator, Edinburgh Trams Ltd (Edinburgh Trams) to run the service.

- 3.4 The Council retains powers under both Tram Acts to acquire land under compulsory purchase powers and to commence construction on new sections of tramway. The expiry of these powers are set out in Table 1 below:

**Table 1: Expiry of Tram Act Powers**

<b>Edinburgh Tram Acts (2006)</b>	<b>Powers to Acquire Land Expiry Date under Section 40(1)</b>	<b>Powers to Commence Construction Expiry Date under Section 74</b>
Line One	7 May 2016	March 2021
Line Two	26 April 2021	March 2026

- 3.5 Under the provisions of the Edinburgh Tram (Line One) Act, the Council has already acquired, or has agreements in place to acquire sufficient land to deliver each of the four options under consideration in the OBC.
- 3.6 The Council has not exercised its compulsory purchase powers to acquire land between Roseburn Delta to Granton or between Granton and Newhaven. The powers to use these powers expire on 7 May 2016.
- 3.7 Of the 163 plots of land identified in the Edinburgh Tram (Line One) Act for Phase 1b (Roseburn to Granton), 116 of these are already under Council ownership; and compensation would be payable for the remaining 47 plots of land.
- 3.8 The last valuation undertaken for the balance of land required to deliver Phase 1b was undertaken by the Valuation Office Agency in 2007 at the height of the property market, and prior to the 2008 economic downturn.
- 3.9 Should the Council agree that the land required to deliver Phase 1b be safeguarded before the powers to acquire land under the Tram Act expire, then an updated valuation would be required to reflect current market conditions, and the appropriate budget allocation identified. The OBC will set out the process for invoking any future CPOs and will make recommendations with regards to this.

### **Transport and Economics**

- 3.10 The purpose of this section is to set out the economic performance of the extension options.
- 3.11 This is based on an economic appraisal of the options, conducted in line with Scottish Transport Appraisal Guidance (STAG). This includes a high-level assessment of each option against key STAG criteria, including the wider economic and spatial planning objectives that the tram can support.

- 3.12 The transport modelling process is based on a detailed representation of the transport network in Edinburgh and on the pattern of travel demand. There are separate models for the morning peak period and inter-peak period, which reflect the different levels of demand and service levels in each period.
- 3.13 A calibration and validation exercise has been undertaken, and this ostensibly ensures that the models replicate actual/observed patterns of movement within a given tolerance, which is set by STAG and related Government transport modelling guidance.
- 3.14 Additional confidence in the forecasts is provided by the fact that the models accurately reflect the current observed levels of tram patronage and also accurately reflect the size of the overall bus market in Edinburgh.
- 3.15 A forecasting and economic analysis for each of the extension options has been undertaken, this is based on the established suite of transport models and analysis used since the original appraisal work for the Edinburgh Tram system reported on during the late 2000's. The output from the models used in this appraisal have accurately forecast demand for the current route, thus indicating a robust level of confidence in the process, which as in previous reporting, has been independently audited by Atkins.
- 3.16 The current model has been upgraded to reflect the current transport network in Edinburgh and has been updated to reflect the latest key planning assumptions. The model suite is tried and tested, and has successfully undergone several audits through its development, and is deemed entirely fit-for-purpose for the comparative assessment of options.
- 3.17 The future modelled forecast year is 2027, which reflects the current planning horizon and employment/population assumptions.
- 3.18 The forecast demand for the current tram route (in 2014 and 2027) and for the extension options (2027 only) are presented in Table 2 below:

**Table 2: Patronage Estimates**

<b>Year / option</b>	<b>Existing Route demand (m trips p.a.)</b>	<b>Total system demand</b>	<b>Incremental Demand (m trips p.a.)</b>
2014 - Existing Route	5.8	n/a	n/a
2027 - Existing Route	10.0	n/a	n/a
2027 – Newhaven	n/a	18.7	8.7
2027 – Ocean Terminal	n/a	17.7	7.7
2027 – Foot of the Walk	n/a	13.6	3.5
2027 – MacDonald Road	n/a	10.7	0.7

- 3.19 The annual modelled existing route demand is 5.8m per annum. The model makes no allowance for 'build up' – this is the time taken by people to respond to a new project or service. Actual demand on Phase 1 is running at an annual equivalent of around 5m trips per annum, or about 85% of the 'full' modelled level. This implied level of build-up is consistent with that observed on other UK tram schemes.
- 3.20 Annual modelled existing route demand is forecast to increase to 10.0m trips per annum by 2027. This reflects the significant planned growth on the existing corridor at West Edinburgh, Edinburgh Park and the City Centre, as well as the assumed increase in tram frequency from 8 and 6 trams per hour in the peak and off-peak in 2014, to 10 and 8 trams per hour respectively by 2027.
- 3.21 The Newhaven option is forecast to generate an additional 8.7 million passengers per annum by 2027, almost doubling the projected patronage for the existing line over the same timeframe.
- 3.22 The economic appraisal is based on an assessment of the discounted cash flows of all monetary (costs and revenues) and non-monetary (benefits) impacts that are required to build and operate the scheme, and the benefits that flow from its operation.
- 3.23 The capital costs set out below have been used in this assessment, and are presented in out-turn (cash) prices.
- 3.24 Lifecycle costs and tram operating costs and bus operating cost savings that result from the changes to bus service provision have also been included in the appraisal.
- 3.25 Lifecycle and operating costs have been prepared in current (2015) prices, and it has been assumed that costs will increase by 1% per annum in real terms through the appraisal period, which is 60 years.
- 3.26 The economic appraisal for the extension options has been prepared in line with Scottish Transport Appraisal Guidance (STAG). The appraisal considers the flows of monetised discounted costs and benefits over the appraisal period, and compares these to provide economic performance metrics including the Benefit to Cost Ratio (BCR) for each option under consideration.
- 3.27 The key findings of the economic appraisal are as follows:
- Option 1 (Newhaven), Option 2 (Ocean Terminal) and Option 3 (Foot of the Walk) all show a positive BCR above 1:1.
  - The MacDonald Road option (Option 4) only achieves a BCR of 0.56:1, and its performance is significantly worse than the other options. This is due to the fact that overall public transport benefits are around one-tenth of the level of those for Newhaven, whereas costs are over one-quarter of the Newhaven costs.

- The BCR for Newhaven and Ocean Terminal (1.52 and 1.63 respectively) indicates a better value for money for these options compared to the Foot of the Walk (1.29).
  - The Newhaven and Ocean Terminal options significantly out-perform the option to Foot of the Walk in terms of both the absolute level of benefits delivered (£382m for Newhaven compared to £156m for Foot of the Walk), and the net benefits (benefits minus costs) where Newhaven and Ocean Terminal deliver a Net Present Value of benefits of around £130m compared with £35m for the Foot of the Walk option.
- 3.28 The additional benefits (and net benefits) of the Newhaven and Ocean Terminal options reflect the greater level of enhancement they provide to public transport users, and provide a good proxy for the wider transport planning objective they deliver in terms of supporting the growth of major development opportunities in Leith and greater potential for delivering an integrated public transport network, including a greater rationalisation of the bus network than is possible for other options.
- 3.29 All options with the exception of the MacDonald Road option have positive BCRs, each representing a value for money economic case.
- 3.30 The MacDonald Road option has a BCR of 0.56, which indicates that the costs outweigh the benefits accrued and thus does not meet the value for money test.
- 3.31 There are potentially significant wider benefits associated with extending the tram line into North Edinburgh and supporting the overall level of economic growth of the city through enhancing the viability and attractiveness of major housing and employment sites identified in the local development plan. The tram extensions can help support a level of economic activity (jobs, new development, and housing) at a greater level than would otherwise be the case. These wider (non monetised benefits) will be presented in full as part of the OBC.

### **Outline Construction Delivery Plan**

- 3.32 A detailed Construction Delivery Plan “CDP” has been drafted to support the draft OBC.
- 3.33 A review of the existing design has been carried out and it was determined that this was sufficiently detailed to generally be adopted for the OBC. The CDP notes some areas of the design which will require further development at the next stage of the project. Technical issues that did require additional work in developing the draft OBC included the termination points at MacDonald Road, Foot of the Walk and Ocean Terminal, the interface with the Leith Programme, drainage in the Forth Ports area, the interface with the Edinburgh St James development and the reconfiguration of the London Road Junction.

3.34 Based on lessons learned from the construction of the first phase of tram the CDP assumes the following:

- Traffic management will be deployed which facilitates opening up large sections of the work site at any one time. This will require significant traffic management planning over a large geographic area to accommodate diversion routes and changes to junction operations;
- Recognising the importance of access to local businesses and residents impacted by the works it has been assumed that a detailed logistics and access plan will be developed, in consultation with key stakeholders, prior to any works going to tender;
- A continuous approach to construction will be deployed, wherever possible, whereby the diversion of utilities and the installation of the tramway are combined avoiding the need to excavate twice thus minimising disruption, minimising cost and speeding up the construction process;
- The costs of all works necessary at Picardy Place, including the reconfiguration of the existing Picardy Place roundabout, have been included in the draft OBC. The location of the Stop at Picardy Place has been agreed with the Edinburgh St James development team and is consistent with any future development of the site; and
- The tram design along the length of Leith Walk has been agreed in principle and is consistent with the Leith Programme. It has been agreed that there will be two running lanes in each direction along Leith Walk with the central lane in each direction dedicated to public transport. The inside running lanes will be free from loading and parking at peak times although it has been agreed that off peak loading and parking will be permitted.

3.35 A desktop exercise has identified a number of potential conflicts with utilities and other below ground assets over the full route from York Place to Newhaven. Conflicts include miscellaneous utilities, archaeology and underground structures including basements. The number of potential conflicts between York Place and Foot of the Walk are in the same order of magnitude as those dealt with on the on-street section of tram following mediation and reflect the fact that a significant number of major utilities were diverted under the original tram enabling works (MUDFA) contract. Of the 1200 or so identified, 44% are considered high likelihood requiring action, 33% are deemed medium likelihood and 23% are classified as low which may not require further action.

3.36 The desktop exercise has been verified in part by ground information provided by the Leith Programme although there is a requirement to verify the data prior to construction commencing with a programme of ground investigation, the cost of doing this is included in the capital cost estimate.

- 3.37 As part of the construction works associated with the extension of the tram to Newhaven, there are a number of heritage items that need to be considered. There are four monuments within public realm spaces which conflict with the tram construction path. Three of these will have to be relocated and one can be protected.
- 3.38 There are some advanced archaeological works to be carried out as advanced works packages, particularly along Constitution Street.
- 3.39 During the construction, testing and commissioning of the extension there will be a requirement to terminate services at West End Princes Street tram stop to carry out certain critical activities. This curtailment of passenger service however can be kept to a minimum and it is anticipated this would involve some disruption over a non-continuous 7 day period. Alternatives have also been considered including night time and weekend working and this will be investigated further at the next stage of project development.
- 3.40 Programme durations for all four options are set out in the CDP and are considered conservative at this stage. These durations will be tested as part of the Market Consultation which is recommended takes place prior to the OBC being submitted to Council.
- 3.41 A key lesson learned from the first phase of tram related to the project governance and contract management structures. The draft OBC sets out specific requirements in relation to governance based on lessons learned from Phase 1.

### **Capital Cost and Risk**

- 3.42 The capital cost estimate is based on the current design, incorporating efficiencies identified during the construction of the current line, and is considered to deliver a cost effective transport solution to Leith.
- 3.43 The cost plan has been prepared by Turner & Townsend and independently audited by Faithful & Gould and is considered robust at this stage of project development.

3.44 The Capital Cost estimate for the construction of the four options, including risk, is shown in the Table 3 below:

**Table 3 – Capital Cost Estimates**

<b>Description</b>	<b>Option 1 – York Place to Newhaven</b>	<b>Option 2 – York Place to Ocean Terminal</b>	<b>Option 3 – York Place Foot of the Walk</b>	<b>Option 4 – York Place to MacDonald Road</b>
Length (km)	4.7	3.9	1.9	0.8
Estimate at Q15 prices (£m)	130.4	114.1	70.9	42.6
Inflation (£m)	14.3	12.5	7.8	4.7
<b>Outturn Estimate (£m)</b>	<b>144.7</b>	<b>126.6</b>	<b>78.7</b>	<b>47.3</b>
Cost per km	30.9	32.8	40.6	62.2

3.45 The capital cost estimate has generally been based on the design developed during Phase 1 of the works. However, based on the experience of the original tram project a number of assumptions which vary the base design have been incorporated. Some key assumptions include:

- Road reconstruction will be kept to a minimum;
- Footway reconstruction is generally excluded other than certain specific areas where it is unavoidable and does not form part of the Leith Programme;
- Public realm improvements, notably at Picardy Place, are not included (remodelling the Picardy place junction has however been allowed for); and
- Revised arrangements at Ocean Terminal.

3.46 Risks have been identified in a technical workshop in accordance with good practice. Mitigations were considered for identified risks and the residual risk was evaluated by severity and impact should they occur. A risk allowance, based on the above work, has been included in the capital cost estimates. The risk register will continue to be maintained as a live document throughout the life of the project and used to identify and mitigate, as far as is practicable, the principle threats to the successful delivery of the project.

3.47 The risk register also picks up a number of opportunities which have potential benefits to the project. These opportunities will be managed in the same way that risks are.

3.48 Further market testing, beginning with the Market Consultation referred to above, will be built into future stages of the project development to provide comfort that the scheme can be delivered within the cost parameters established during this stage.

### **Procurement Strategy**

3.49 In bringing forward the tram extension there is a requirement to assess the possible procurement options available to the Council. The draft OBC sets out the objectives for any future procurement strategy, evaluates the options available and assesses the key issues that will affect the structure of any procurement. The draft OBC assumes that the existing operating contract with Edinburgh Trams remains in place and a short commentary is provided in relation to the existing Infrastructure Maintenance contract with Infracore.

3.50 In broad terms two procurement models have been considered in developing the outline procurement strategy for the extension. While there are a number of ways each model can be implemented a decision is required at a strategic level regarding the most appropriate model prior to discussing the challenges of implementation, these are:

- Client Design, and
- Design and Build.

3.51 These two strategic models for delivery have been assessed and the draft OBC currently recommends that the Council adopts a Design and Build model for the tram extension. Adopting a Client Design model would import an unnecessarily high risk to the Council in relation to technical compatibility and systems integration.

3.52 The emerging strategy also concludes that the Council includes electrical and mechanical design and systems integration in the Design and Build contract. Any alternative runs a significant risk of procurement challenge.

3.53 The emerging strategy is sufficiently flexible to include for future maintenance although key decisions would need to be taken early if it were to be included within the scope of the extensions procurement.

3.54 Given the history of tram in Edinburgh, market appetite will need to be tested. It is therefore recommended that a formal Market Consultation exercise is carried out by the Council prior to finalising the procurement strategy for the OBC in autumn 2015.

3.55 As identified in the Construction Delivery Plan there is a requirement to procure advanced packages of work ahead of the main tram works. These are option dependant and include the demolition and reconstruction of the Constitution Street Church wall, archaeological investigations and further ground investigation to support the emerging contracting strategy. The OBC will make recommendations in relation to these advanced packages of work.

## Finance

- 3.56 In order to assess whether a tram extension is affordable a detailed financial model, which models Council and Transport for Edinburgh (TfE) cashflows, has been developed, building on the capital and lifecycle cost estimates and revenues derived from the demand forecasting. The modelling is further refined by using actual costs and revenue data provided by TfE.
- 3.57 The financial model covers the period 2015 to 2051 and takes account of inflation forecasts from the Office for Budget Responsibility and current tax rates.
- 3.58 The model provides annual cashflow forecasts for the TfE group, and it incorporates bus and tram data for all four extension scenarios plus a no extension scenario. The model also details the impact on the Council for each of the scenarios considered.
- 3.59 In order to extend the tram the Council needs to find capital funding up to £144.7m, depending on the option chosen. A range of capital funding options are being considered to meet the cost of the extension, these include prudential borrowing; Government grants; developer contributions, private sector funding, City Deal, and other innovative funding structures.
- 3.60 The Scottish Government has indicated in the past that no government funding will be made available and further work is required to determine the viability of private sector or other funding structures, the modelling has been based on prudential borrowing and potential developers contributions at this stage. The model indicates that there is an initial affordability gap in all options, as revenues are insufficient to cover the borrowing costs during the construction period and in the early years of operations.
- 3.61 However, as tram passenger numbers increase, the model forecasts that the Council would derive financial benefit from extensions to Newhaven, Ocean Terminal and the Foot of the Walk in the medium to longer term.
- 3.67 The modelling is based on a large number of assumptions. There are risks in relying on any financial model, particularly one covering a such a long time period and with multimillion pound costs and income streams. Initial sensitivity analysis shows that the financial position is particularly sensitive to capital costs and passenger numbers. Changes to modelling assumptions in these areas could impact on the projected funding gap.
- 3.68 The initial financial analysis, therefore, supports the following conclusions:
- In the short-term an extension to the tram places a financial burden on the Council; and
  - Over the longer-term an extension may be financially viable.
- 3.69 However further work is required to consider alternative funding options and to test the assumptions and logical integrity of the financial model, by way of an independent audit.

## **Preliminary Conclusions and Way Forward**

- 3.70 The work undertaken in developing the Outline Business Case has confirmed that there is a positive economic case for the Newhaven, Ocean Terminal and Foot of the Walk Options and that the MacDonald Road Option, is not economically viable.
- 3.71 Significant increases in tram patronage are forecast for the Newhaven, Ocean Terminal and Foot of the Walk options, this against the background of a growing public transport market in Edinburgh. The forecasting work and construction/lifecycle costs have been independently audited and found to be fit for purpose.
- 3.72 Prior to finalising the OBC it is recommended that a formal market consultation is undertaken to verify the recommended procurement strategy and to test the market appetite for risk, via a formal OJEU process.
- 3.73 On the basis of the work undertaken to date, there is a requirement to carry out further detailed analysis of cashflows and to procure external consultants to audit and verify the financial model.
- 3.74 Further work is required to investigate and report back on alternative funding options and opportunities such that the implications on the Council are fully understood.
- 3.75 It is recommended that this work is undertaken over the summer, with a view to reporting back to the Council in autumn 2015.

## **Measures of success**

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- 4.1 The findings of the draft OBC indicate that that an economic case for extending the current tram line would accrue positive benefits to the city.
- 4.2 Transport investment can increase effective density between places of residence and employment in two ways; firstly, by reducing transport costs and thereby improving accessibility around and between jobs and people. Edinburgh Tram system extension options will reduce the transport costs between a number of key employment locations including:
- Around Leith Waterfront including the Scottish Government at Victoria Quay (for Newhaven and Ocean Terminal Options only);
  - The city centre via the five stops between Picardy Place and Haymarket (inclusive);
  - A reduction in travel time via a direct tram connection to major employment locations on the existing line, notably Edinburgh Park and Edinburgh Airport; and

- A reduction in travel times to a range of locations within the city and beyond, via interchange with rail at Waverley Station, Haymarket Station and Edinburgh Gateway, and local and intercity bus services (city centre).
- 4.3 Extending the Edinburgh tram system will also support the change in scale and location of jobs through:
- Directly supporting the bringing forward of employment related development in the Leith Waterfront area (for Newhaven and Ocean Terminal Options only); and
  - Increasing the attractiveness of the employment locations in the city centre and West Edinburgh by expanding the effective labour market catchment through reduced travel costs (all options), and through helping bring forward major residential development in Leith Waterfront (for Newhaven and Ocean Terminal Options only).
- 4.4 The extension options will also deliver labour supply benefits. The Leith extension options will connect major existing and planned employment destinations (City Centre, West Edinburgh) with the Leith corridor, which has the highest population density in the city (and amongst the highest densities in the UK) and major planned areas for new residential developments in Leith towards Newhaven.
- 4.5 Enhanced connectivity will better link existing and new jobs with existing and new residents, ensuring that labour market accessibility is enhanced (businesses will find it easier to recruit, and workers have access to more jobs), and that the economic growth that this will support will be delivered in a sustainable manner, through integrated transport and land use planning.
- 4.6 The purpose of considering Edinburgh Tram extensions is to support the overall level of economic growth of Edinburgh through enhancing the viability and attractiveness of major housing and employment sites identified in the Local Development Plans. The tram extensions can help support a level of economic activity (jobs, development, and housing) at a greater level that would otherwise be the case.

## Financial impact

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- 5.1 If the Council were to proceed with extending the tram system at this time, there would be a requirement to find capital funding up to £144.7m, depending on the option chosen.
- 5.2 Further work is required however to consider alternative funding options and to test the assumptions and logical integrity of the financial model, by way of an independent audit.

- 5.3 It is recommended that this work is progressed over the summer with a report back to Council in autumn 2015. This work can be undertaken within the original budget allocation approved by Council on 11 December 2014.

## **Risk, policy, compliance and governance impact**

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- 6.1 The recommendations set out in this report are in alignment with the LTS and the Local Development Plan and reflect the broader Council policy objectives of promoting development and stimulating economic activity in the city.
- 6.2 Although there are a number of risks which require careful management through the delivery phase of the project, the capital cost estimate represents a fair assessment of the current market condition.
- 6.3 The cost plan and economic appraisal and patronage forecasts have been independently audited by Atkins and Faithful & Gould and are thus considered robust at this stage of project development
- 6.4 Further market testing will be built into future stages of the project development to provide comfort that the scheme can be delivered within the cost parameters established during this stage.
- 6.5 Robust governance arrangements will be required if the project were to proceed and the OBC will include details of these based on lessons learned from the first phase of tram.

## **Equalities impact**

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- 7.1 The proposals and recommendations described in this report could contribute to the public sector general equality duty to: (i) advance equality of opportunity. There is no distinct relevance in respect of the general duties to; (ii) eliminate unlawful discrimination, harassment and victimisation, or; (iii) foster good relations.
- 7.2 An Equalities and Rights Impact Assessment has been prepared and is available as background reference. There are no direct negative equalities or human rights impacts anticipated.

## **Sustainability impact**

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- 8.1 The proposed work packages will be undertaken in consideration of the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties. This aligns with the requirements of the LTS. The potential to extend the tram network aligns with and is cognisant of the requirement to reduce carbon emissions and the need to travel. In doing so, this will promote a shift to more sustainable modes of transport that will bring reduced carbon dioxide and nitrogen oxide emissions.

- 8.2 The promotion of a high capacity, high quality public transport system aligns with the LTS and draft Local Development Plan and will help achieve a sustainable Edinburgh, as both documents' actions include improving the extent of the public transport offered in Edinburgh, thus enhancing social inclusion and equality of opportunity.
- 8.3 The proposals to integrate with the St James Quarter redevelopment and Leith Programme initiatives aim to improve facilities for cyclists and pedestrians, thus promoting personal wellbeing.

## Consultation and engagement

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- 9.1 The recommendations set out in this report have been discussed with representatives of the Capital Coalition, Transport for Edinburgh, Sustrans, as well as between relevant services within the Council including Transport, Economic Development, Finance and Planning.

## Background reading/external references

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A Strategy for Jobs: The City of Edinburgh Council's Economic Strategy 2012-2017

[http://www.edinburgh.gov.uk/download/downloads/id/501/a\\_strategy\\_for\\_jobs\\_2012-17](http://www.edinburgh.gov.uk/download/downloads/id/501/a_strategy_for_jobs_2012-17)

Edinburgh City Local Plans

[http://www.edinburgh.gov.uk/downloads/download/229/edinburgh\\_city\\_local\\_plan](http://www.edinburgh.gov.uk/downloads/download/229/edinburgh_city_local_plan)

Edinburgh Local Development Plan – Proposed Plan March 2013

[http://www.edinburgh.gov.uk/download/downloads/id/122/proposed\\_local\\_development\\_plan\\_march\\_2013](http://www.edinburgh.gov.uk/download/downloads/id/122/proposed_local_development_plan_march_2013)

Local Transport Strategy 2014-2019

[http://www.edinburgh.gov.uk/info/20221/roads\\_and\\_transport/341/transport\\_policy](http://www.edinburgh.gov.uk/info/20221/roads_and_transport/341/transport_policy)

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## Links

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<b>Coalition pledges</b>	<b>P18</b> – Complete the Tram in accordance with current plans. <b>P19</b> – Keep Lothian Buses in public hands and encourage the improvement of routes and times. <b>P45</b> – Spend five per cent of the transport budget on provision for cyclists. <b>P46</b> – Consult with a view to extending current 20mph zones. <b>P50</b> – Meet greenhouse gas targets, including the national target of a 42 per cent reduction by 2020.
<b>Council outcomes</b>	<b>CO7</b> – Edinburgh draws new investment in developing regeneration <b>CO8</b> – Edinburgh’s economy creates and sustains job opportunities <b>CO22</b> – Moving efficiently – Edinburgh has a transport system that improves connectivity and is green, healthy and accessible.
<b>Single Outcome Agreement</b>	<b>SO1</b> – Edinburgh’s Economy Delivers increased investment, jobs and opportunities for all.
<b>Appendices</b>	None