
From: Stewart McGarrity [Stewart.McGarrity@tie.ltd.uk]
Sent: 19 January 2010 14:16
To: Alan Coyle
Subject: FW: Cost range review - Private & Confidential
Attachments: BDDI - IFC (Dec 09).xls

Fyi

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From: Stewart McGarrity
Sent: 18 January 2010 13:55
To: Dennis Murray; Steven Bell; Susan Clark
Cc: Richard Jeffrey; Gregor Roberts
Subject: FW: Cost range review - Private & Confidential

All,

For the Financial Analysis which will support our consideration of options in the coming weeks – it's obviously v important that the base cost estimate for the status-quo option is kept as up to date and informed as possible. I'm resending my email of requirements of 4th December cause it seems as relevant as ever – I've added a column of further comments.

Regards,
Stewart

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From: Stewart McGarrity
Sent: 04 December 2009 16:49
To: Dennis Murray; Fiona Dunn; Steven Bell; Susan Clark; Fiona Dunn; Michael Paterson
Cc: Gregor Roberts; Richard Jeffrey
Subject: Cost range review - Private & Confidential

Private & Confidential

All,

CEC officers quite rightly want to see an updated view of our cost estimates. I have Alan Coyle here from Monday morning to go through everything line by line and there is a meeting scheduled with Donald McGougan next Friday at 10am to review the outputs and consequences thereof. **That means we must have the best possible information and explanations from all by cop next Wednesday to give me time to think about presentation.** The integrity of this work is critical for the future of the project and the credibility of the management team.

As a starter for ten I've compiled the following list of points for consideration. Can I have reactions over the weekend re what is achievable by cop next Wednesday – we must get together on Monday to discuss.

The benchmark is the June 09 review – see attached spreadsheet for information.

Item	Description	Delta v June review	Completion / Further work
1	<p>Final reckoning on Princes St costs v what was already included in the BSC price plus related risk allowances. This would identify the elements of the increase due to:</p> <ul style="list-style-type: none"> - Risks we knew about eg disruption due to obstructions / utilities - Extent Full depth road reconstruction w/ reference to cap - Track slab changes (misalignment) - Quality or scope changes eg setts, work on George St etc - Traffic management arrangements - Doubling up on subbies and other costs associated with meeting finishing date - Poor efficiencies or management passed to us via demonstrable costs <p>This is critical to put an explanation on why Princes St cost so much more than the tender allowance.</p>		<p>Excellent analysis delivered on this in Dec could be supplemented by:</p> <ul style="list-style-type: none"> • Updated final account - there have been additional Princes St costs • A documentation of the decision making process on Full Depth Road Reconstruction more particularly how we got to FDRR = 350mm+ up to 600mm instead of the 320mm +300mm at Contract stage and how and by whom decisions to do FDRR were made. Should the impact of this requirement (from CEC roads?) been brought forward as a Change when it happened? • Same goes for all the other scope related changes (eg the setts) and the traffic mgt arrangements including all the work on George St junctions which was not in the contract scope. • Examination of the success of our monitoring of the costs as documented by BSC as they went
2	<p>Extrapolation of outturn costs of completing the rest of the on-street works by supplemental agreement similar to Princes St – are there controls or mitigations we can put in place which we didn't have on Princes St.</p>		<p>As 1. above and we need an upside on the basis of a defined management process to ensure we bag possible savings on eg road reconstruction where appropriate going forward and to identify the drivers of "Premium Costs" as they arise. Would also reflect</p>
3	<p>Update on BDDI v IFC costs for new information and the implications of the DRP and adjudication process to date. Dennis has already looked at this and has put the cost at £21m v the £16m included in the June review. The best analysis would attribute the elements of additional cost to the design change which has taken place (and is outwith normal design development) with an explanation where available of why the design change happened.</p>		<p>We have a list (see attached) which adds to the £21m. Are there any conclusions or revaluations or further detail to be put on these amounts following the RRRW adjudication?</p>
4	<p>Misalignments – confirm that the exposure is mainly in respect of adopting Rheada trackform and OLE poles. We had an allowance of £4.2m in our June review which was about the additional track slab to support the trackform and vibration quilt. The additional track slab is down</p>		<p>Additional analysis outstanding.</p>

	<p>on Princes St (part of reconciliation at 1 above). Is it required elsewhere?</p> <p>Need to align with the legal advice on this issue – was the potential entitlement to claim a credit on the Civils price bottomed out through the legal challenge sessions?</p>		
5	<p>Additional capping layers Sections 5 and 7 – we allowed £3.7m for these in the June review. Is this estimate still robust? We have had Donaldsons on the pitch for some time looking at the justification for these additional ground works with a view to engineering all or part of them away. Has this work progressed to a stage where we can draw some conclusions?</p>		Additional analysis outstanding.
6	<p>Client instructed / other changes – in the June 08 review we agreed to make an allowance of £3m against the very large number of other INTCs on the change register which don't fit into one of the above categories – there are literally hundreds of them. This all need updated again and another view taken on our final liability.</p>		Additional analysis outstanding.
7	<p>Prolongation costs – we've settled EOT1 at £3.5m - £1m more than we had in the June review. Our allowance for further prolongation costs (or equivalent acceleration) is £17.5m which would allow for 9 months prolongation costs assuming they were settled at an average of the settled EOT1 rate of £450k per week. We don't anticipate receiving a new programme until Jan/Feb.</p> <p>Desirable additional information now:</p> <ul style="list-style-type: none"> - Do we still believe that Feb 2012 is an achievable OFRS date - Based on an executive summary of the Accutus work – is our culpability for delays to date still around the six months we have assumed previously. - What should we allow for further delay and/or acceleration costs from here (how long is a piece of string) 		Additional desirable information outstanding.
8	<p>Utilities - Our best estimate of the outturn costs on utilities stands at £3.5m more than what was included in the £60.1m budget approved by the Board 3 months ago – diffs due to new information about quantities and change not known at that time. There are possible mitigations but it seems imprudent to take these into our numbers.</p> <p>Outturn still based on a settlement of claim at</p>		Claim from Carillion remains the significant risk factor?

	£2m v verge large amount claimed by Carillion.		
9	<p>Project costs – we have the periodic review next Wed 9th. Impact on outturn since June review likely to be between £7m and £9m including significant additional staff costs, DRP related costs and recharges (CEC, NR, BAA). All based on an OFRS of Feb 2012.</p> <p>Gregor will prepare the detailed analyses and explanations required for presentation.</p>		<p>Documented in the Project Costs report. DRP costs to be reviewed in light of new level of engagement Jan 2010 onwards. Written explanation for PM team structure v FBC still to be finalised. Biggest sensitivity is to the Feb 2012 opening date.</p>
10	<p>Other things to worry about I'm aware of:</p> <ul style="list-style-type: none"> - Logistic support costs - Unknown utility diversions required - Noise and vibration measures which might need incorporated at junctions? - Solution for South Gyle Access Bridge (and sewer) 		<p>Any new information or analysis under these headings?</p>
	<p>Please add to list if I've missed something</p>		<p>I am adding myself:</p> <ul style="list-style-type: none"> • The status of VE taken into the contract price – separate email to follow • New VE opportunities (ballasted track off street?) • Circle back on the Ph1b payment - £3.2m – separate email to follow

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