

From: Richard Jeffrey
Sent: 07 December 2009 13:27
To: Stewart McGarrity; Dennis Murray; Fiona Dunn; Steven Bell; Susan Clark; Fiona Dunn; Michael Paterson
Cc: Gregor Roberts
Subject: RE: Cost range review - Private & Confidential

All, this is an excellent summary of what needs to be done. Can you all please make every effort to ensure that Stewart has the info he needs on the timescales indicated.

Thanks

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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	Who and when?	Order of magnitude delta v June review
1	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: <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 This is critical to put an explanation on why Princes St cost so much		£5m+?

	more than the tender allowance.		
2	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.		£15+
3	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.		£5m+
4	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 on Princes St (part of reconciliation at 1 above). Is it required elsewhere? 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?		?
5	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?		?
6	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.		?
7	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. Desirable additional information now: <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) 		EOT1 - £1m Final Prog - ?
8	Utilities - Our best estimate of the outturn costs on utilities stands at		£3.5m+

	<p>£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>Ottturn still based on a settlement of claim at £2m v verge large amount claimed by Carillion.</p>		
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>		£7-9m+
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) 		?
	Please add to list if I've missed something		

Happy days!

Stewart McGarrity
Finance Director
tie Limited
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