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Sent: 09 March 2009 14:46
To: Thomas Caldwell
Cc: Graeme Barclay; John Casserly
Subject: Cus actual Labour Costs, their decision to Subcontract the bulk of the work and how this all relates to their te

All good stuff Thomas,

but I would like to reserve any judgement until such times as we receive our first cost report and know then for a fact what Cus are actually paying their men plus

do we know for a fact that it was a 'corporate' decision to subcontract so much of the work, or could it have been left to the local site teams decision here, generally corporate would not get involved with such local site mgmnt issues, plus there is always the actual 'availability' issue, i.e. were there always realistically going to be circa 1,200 plus directly employed men available for Cus to deploy, specifically for this project. I think what we witnessed there was some Cus tender spin, especially if we consider not all men would have been available nationwide or prepared to travel

the GBP£5m tender discount could have come from any/all parts of the Cus tender cost bill, e.g could be a mixture of further anticipated material buying gains or more than likely the MD's decision as a front page adjustment off the tender potential/profit, or perhaps some genius worked out that if all the work gets subcontracted at less cost than the tender value labour rates, they could achieve e.g. a GBP£5m saving if this direct work was subcontracted at lower rates

a comprehensive tender rates analysis at time of tender reporting should have highlighted any unusually low pricing, normally the rates of the lowest three Contractors get analysed against the budget, and that was the time for us to flag up if we had any concerns about the Contractors rates and pricing and if they were too low, otherwise we have deemed to have accepted their rates as fair and reasonable without further comment

perhaps we may never know or find out what happened at the Cus mgmnt board tender clearance meeting for this project, nor will Cus wish us to know on matters they will hold as highly confidential

thanks
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Thought of the day

To

cc

Subject

Here's a thought of the day why Carillion were always going to submit a claim, irrespective of how the job went

Carillion statement on why we should award the tender to them.

"We have the right skill set", "we have 1200 skilled employees", that MUDFA will have priority on them, and we will augment our other commitments with sub contractors if need be to ensure MUDFA is manned correctly.

Financial Facts

Average hourly rate recovered through the rates = circa £13.51 based on an 8 hour day.

Rate shown in labour rate build up of CARP part 6 page 25 = circa £16.42.

This would suggest that if they used their own labour they would of lost £2.90 every hour on every man.

This would then equate to the following (on the basis that they could achieve the original program working 8 hour days, which is debatable.)

150 men X £2.90 x 8 hours x 5 days x 64 weeks equals £1,113,600.00

REALITY

AMIS/CUS took the corporate decision to SUB contract the vast majority of the job. Irrespective of the red hearing about the SGN tupe, as they did not tupe across 1200 personnel, and or indeed have had 2 years to recruit, the reality being, even when they did try to recruit they could not employ people for the allowances they had in their tender.

So the decision to SUB contract on an hourly basis @ £20.00 per hour has resulted in a loss of circa £6.50 per hour. So once again based on the original program, their corporate decision to sub contract this job meant they were always going to lose the following irrespective of any alleged delay and disruption.

150 men x £6.50 x 8 hours x 5 days x 64 weeks equals £2.496,000.00

And the above does not even take into account any tender deficiencies based on unrealistic out puts, or indeed the amount of things they have priced at £0.00 to get the job that is costing them money.

You have to ask yourself, why would you make £5 million tender discount in the first place.

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