
From: Ailsa McGregor
Sent: 19 June 2007 18:55
To: Tony Glazebrook; Geoff Gilbert
Cc: Trudi Craggs; Jim Cahill; Gavin Murray
Subject: SDS Progress Meeting 19.6.07 and Issues

Tony, Geoff,

I am concerned at the commercial and contractual matters that were raised at today's progress meeting with SDS and how we move forward. It was clear from the meeting that as far as SDS is concerned, they have submitted a claim to **tie for £2.2m**, even if it has not been sent through document control, it was hand delivered from SDS Project Director -Steve Reynolds to tie's Project Director -Mathew Crosse and therefore we cannot deny that tie received it. Their demands for a view on the quantum and their threats to walk away from the job, which they consider they are losing money on, when Geoff stated his view. This should be escalated to the Board and Willie Gallagher who may wish to make contact with Tom O'Neil in light of previous issues, which predate your time Tony but which Geoff is well aware of.

In November 2006, tie were considering terminating SDS's contract and Willie Gallagher went to New York to meet Tom O'Neill, the main man at PBworld and the outcome was action plan from SDS and P3e V9 of the programme. Since then Willie has had a direct line to him, which incidentally the UK team do not like tie using, i.e. a strength.

It would appear that we need to understand the contractual issues, whether we intend to enforce the contract or ignore it and whether SDS has met their obligations or not and is serious about completing the System design or just seeking to secure agreements ahead of any pending political / audit decision.

The main contractual matters to consider are as follows:

1. Scope of the SDS contract
2. Extension of time, rights of the parties and whether SDS are entitled to one or not?
3. Whether SDS has submitted the appropriate notices or not in accordance with the terms and conditions of the contract
4. The terms and conditions relating to milestone payments and work in progress
5. The status of the critical issues and how they have impacted on or affected the progress of the works
6. The status of the charette changes
7. The status of the SDS contract changes and those related to the critical issues
8. The role of CEC particularly in relation to Structures charettes and the dynamics/ changing requirements
9. The status of the design at PD stage and the current status of Design Assurance in relation to DD. Tie and SDS have agreed to changes but these have not been issued as formal changes to SDS.
10. The role of tie
11. The impact of the tie procurement strategy, process and ER's, Infracore, Tramco and DPOF impacts.
12. Utilities and AMIS and the impact SDS has had to date and is likely to have in the future

In relation to meeting SDS next Wednesday afternoon to discuss resolution of changes; the ones that SDS have prioritised and require a decision on which may not be the same list as tie consider a priority. It seems premature to meet SDS when we are still to reach consensus and discuss these as a group within tie and agree our position.

These changes have previously been discussed between John McNicholls and Geoff and have failed to reach a conclusion or agreement.

There are a number of matters which SDS has still to respond to tie on and which are impacting on other parts of the tie business, such as

- Procurement matters to Geoff
- Utilities Designs to Mudfa team
- Schedule 1 of the Mudfa contract
- Employers Requirements

Please advise the way forward as there are a number of interrelated matters which need to be considered by tie before meeting SDS.

Regards,

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