
From: Hawksworth, Keith J.
Sent: 01 March 2007 07:17
To: Reynolds, Steve
Subject: FW: Edinburgh Tram SDS - Weekly Report

Thank you Steve

On the project controls report –good professional report but sounds like advice to do a lot more work—have you discussed the findings with Matthew? which of the recommendations do you plan to implement? Have you the resources to implement?

On unapproved PB Variations, how much of the St 2m do you expect to recover and over what time period and how does this fit with the provisions (in effect elimination of margin as I understand it). Please include in your weekly update on progress a note on approach to the resolution of the VO's and actual progress—perhaps in tabular form but up to you

You have a tough one here Steve

Regards Keith

From: Reynolds, Steve
Sent: Wednesday, February 28, 2007 3:21 AM
To: Hawksworth, Keith J.
Cc: Ayres, Greg
Subject: RE: Edinburgh Tram SDS - Weekly Report

Keith

Thank you for this email and also your email reference the March IMC. March is going to be a month of intensive activity here in Edinburgh and we need to resolve a number of key issues by the end of the month. Your visit then should be very timely.

Turning to your specific points, we have now catalogued the "Critical Issues" which remain the key factor from our point of view in defining a realistic programme to completion. I am pleased to report that we have made significant progress over the last two weeks to the point where we have less than a dozen key issues requiring resolution. Those issues are impacting programme but the decision by TIE to allow a period of between four and six weeks additional time within which to secure all remaining clearances is probably realistic.

Contract negotiations, review process, and funding are not impacting progress at the moment.

On the decision by TIE to recommend a delay to the financial close milestone of 5 months, yes there are several interim milestones, with the 6 sectional completion dates for detailed design being the key interim milestones as far as we are concerned. The latest revision to the programme issued tomorrow will show the following additional delays with reference to last months programme:-

- Section 1 1 week
- Section 2 0 weeks
- Section 3 3 weeks
- Section 4 There is no section 4
- Section 5 6 weeks
- Section 6 3 weeks
- Section 7 4 weeks

Each of these additional delays can be attributed to the Critical Issues and the additional delay of only one week for section 1 is indicative of the substantial progress that has been made in clearing outstanding actions on that Section over the last month. Section 1 had previously been the last sectional completion but with the additional slippage on Section 5 (due to major structural redesign post Charette agreement) that section is now programmed as the last detailed design activity.

Other activities which TIE is proposing to recommend slipping, (e.g. declaration of preferred bidder; securing a best and final offer), are downstream of our detailed design activities, so won't impact our completion plan.

On the question of how TIE will respond to the requests for additional time and cost due to variations and management team prolongation, I believe that Matthew Crosse understands the principles involved and in his own mind is determined to deal with the outstanding issues in a fair and reasonable fashion. However his view is being influenced by TIE's Trudi Craggs who works for the legal firm D&W. Her approach is particularly aggressive and she becomes unprofessionally emotional (in my view) when she is cornered. She is clearly our strongest adversary and I see one of my main challenges to defuse her input to the issues. If I can do that and if I can make Matthew appreciate the strength of our views and the detail of our arguments then we should be able to make some significant progress.

Having now carried out a detailed analysis of the commercial position in respect of variations and prolongation I am concerned at PB's apparent underperformance in pursuing the case for variations more robustly. I have produced an aged analysis of the variation account and a major concern is that circa £1m of the total sum claimed has been outstanding for more than six months. The trend since August 06 has been a rising amount outstanding each month, to the point where there is now in excess of £2m outstanding for resolution. That suggests a failure of our internal application and I have now put in place changes to the management of this key area of activity.

Taken together my management changes and Matthew's recognition of a genuine case for variation payments should pave the way for change but it is clear to me that we need a major turnaround before the end of March, the date when the decision is to be made by TIE on reducing the number of tram supplier bids from four to two - a potential flashpoint depending on the manufacturers chosen vs. the Infracore consortia make up featuring Bombardier and Siemens.

We are currently quantifying our detailed request for prolongation costs with the intent that that be submitted early next week.

On a positive note, whilst there has not yet been a formal letter from the Scottish Executive, it now seems certain that the next tranche of funding required to take the scheme through to financial close will be granted, probably on Thursday this week.

Finally, Frank Jasen has now completed his draft report. I attach his email from late Friday here.



Edinburgh Tram
Network Project...

Regards - Steve

Stephen C Reynolds
Director

PB
Manchester Technology Centre
Oxford Road, Manchester, M1 7ED

Direct [REDACTED]
Mobile [REDACTED]
Fax +44 (0)161 200 5001

From: Hawsworth, Keith J.
Sent: 27 February 2007 06:13
To: Reynolds, Steve
Cc: Ayres, Greg
Subject: RE: Edinburgh Tram SDS - Weekly Report

Thank you Steve

I have reviewed the attached report and comment as follows

- Clearly there are many of the key items related to funding, contract negotiations, technical issues, review process and delays to program unresolved --- are these still affecting project progress?

- Last weeks meeting agreed to delay the program by 5 months – a number of interim milestones are also slipping?
- Have you a sense of how will the client respond to PB with respect to the delays –
- Please advise if Frank Jasen came up with a response to the controls issue --as soon as you hear
- Do you now have a real sense Steve of PB's commercial position with respect to problems on the project or the future costs associated with the extension of the program?

Appreciate the progress you have made Steve and sorry to miss you at IMC but as said, look forward to a one on one late March.

Regards Keith

From: Reynolds, Steve
Sent: Friday, February 23, 2007 10:11 PM
To: Hawksworth, Keith J.
Cc: Ayres, Greg
Subject: Edinburgh Tram SDS - Weekly Report

Keith


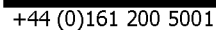
Please find attached my report on the week's activities.

Regards - Steve

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Stephen C Reynolds
Director

PB
Manchester Technology Centre
Oxford Road, Manchester, M1 7ED

Direct 
Mobile 
Fax +44 (0)161 200 5001