

## 1 Client Relations

### 1.1 *tie*

The plan devised by *tie* two weeks ago to ensure substantial completion of all contract documentation to allow a recommendation to be made to Council on 01 May was working well and Willie Gallagher had arranged to meet with the CEO of the Council privately on the evening of Wednesday 30 April to brief him ahead of the formal debate in Chamber on Thursday.

As part of the formal review of the Infraco contract documentation Bilfinger Berger had arranged a meeting chaired by the CEO in Wiesbaden on Tuesday. At that meeting a commercial review of the pricing schedules was presented and apparently this showed a significant shortfall in comparison with revised cost estimates prepared by Bilfinger Berger in Germany. Bilfinger Berger's decision was to advise a price increase and Richard Walker contacted Willie on Wednesday morning to inform him that the price had to be increased by £12m. This resulted in a communication from Willie to Bilfinger Berger's CEO requesting a meeting in Edinburgh on Monday next week, along with a request that Richard Walker be removed from the job. Cutting through the extensive discussions which have taken place subsequently the key facts appear to be:-

- A paper had been prepared two weeks ago for submission to Council on 01 May. That paper is attached here:-



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- BBS advised an increase in price of £12m early on Wednesday
- An emergency *tie* Tram Project Board meeting was convened at 1530 on Wednesday
- The decision must have been taken to proceed with the tabling of the Council Paper since that is what happened on Thursday. Apparently the reception for the paper was positive with no suggestion that support for the Scheme should be withdrawn
- The meeting between the Bilfinger Berger CEO and Willie Gallagher on Monday is now charged with securing resolution such that contract award can take place as soon as possible.

Two observations are that:-

- *tie* has sponsored a paper which was materially incorrect at the time when it was presented to CEC.
- The price increase proposed by BBS would result in an overall price of £520m in comparison with the overall funding limit of £545m. This is without any allowance for costs to cover changes to scope and programme necessary to bring about alignment of the BBS Offer and the SDS Design.

It could be argued that BBS is now in a strong position at Monday's meeting. Whilst the risk of cancellation must have increased, it would appear that the odds are still in favour of the Scheme going ahead although this will depend upon the content of any subsequent re-presentation to Council. As to timing, the thinking had been that if the Paper had been

withdrawn a further month's delay would have occurred. Since the paper was presented it is feasible that contract award can proceed before the next Council meeting which takes place in a month's time.

## 1.2 City of Edinburgh Council (CEC)

Nothing to report.

## 1.3 BBS

The regular discussions with Richard Walker on securing a good understanding of how PB and BBS will actually work together post novation are continuing well.

## 2 Commercial

### 2.1 Novation of the SDS Contract

#### 2.1.1 Scope of Services

- The current priority is to complete the analysis for **tie** on the work required to bring about the alignment of the SDS Design with the Employer's Requirements. A number of revisions has been agreed with **tie** to the draft instruction and PB's detailed response is now close to being finalised. Agreement must be reached early next week.

#### 2.1.2 Programme

- Nothing further to report

#### 2.1.3 Scope of Separate Agreement with **tie**

- **tie** has provided a suggested schedule of work and associated terms and conditions to be included within the modified collateral warranty from PB in favour of **tie**. The scope is principally concerned with further services required by **tie** in connection with utility diversions. PB is to respond next week but I have informed **tie** that in PB's view our contracted obligations have been delivered and any work to be carried out post novation under the separate agreement will be additional services at agreed rates. **tie** appears close to accepting this proposal which will ensure that we have no open-ended commitment.

#### 2.1.4 Construction Support Proposal

- PB and **tie** are close to agreement on the scope of work to be provided by PB and the team strength required to deliver the services. A three party meeting including BBS has been provisionally arranged for Tuesday next week. I have advised **tie** that agreement between all three parties is required prior to novation.

#### 2.1.5 Infraco Terms & Conditions

- Nothing further to report

#### 2.1.6 Halcrow Collateral Warranty

- A meeting has been arranged with Halcrow next week.

## 2.2 Change Requests

Following this week's meeting to review outstanding change issues both parties have agreed to provide additional clarification of their positions. A second meeting is now to be held on Tuesday next week with a view to closing out remaining actions.

## 2.3 Claims for Prolongation

I have again reminded *tie* that if novation slips beyond the current target of 06 May a further claim will be due against inefficient working for the PB Edinburgh Management Team.

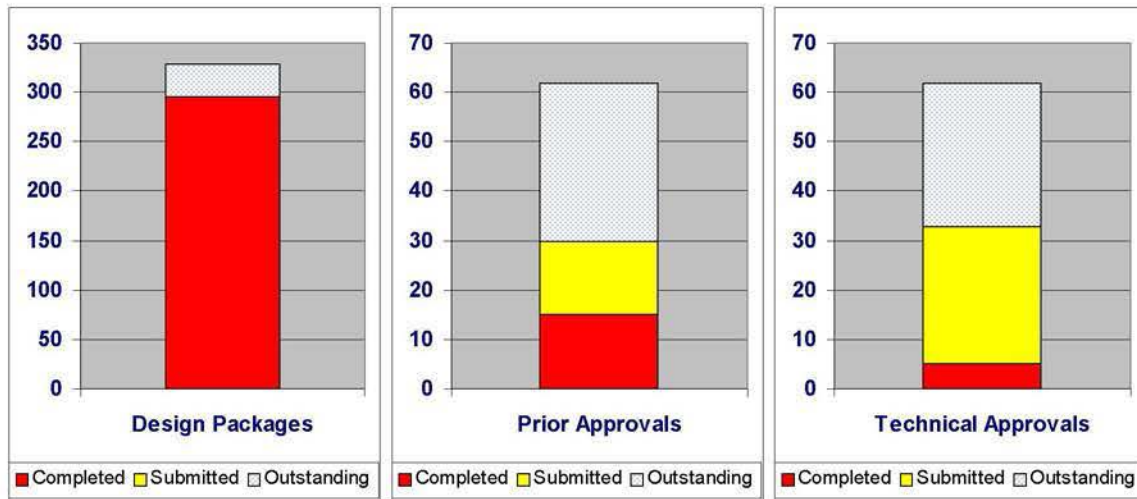
## 2.4 Cash flow

Nothing further to report

## 3 Operations

### 3.1 Edinburgh Tram Network

Progress status in the key areas of detailed design package delivery and approvals submissions is as shown:-



### 3.2 MUDFA

The only remaining activity is final sign off by the Statutory Utility Companies of the IFC packages now out for approval. IFC delivery for the remaining section 2A is set for 17 May.

## 4 Other Issues

Nothing to report

## **5 Weekly Look-ahead**

- Monday. Meeting between Bilfinger Berger CEO and Willie Gallagher
- Friday. PB meeting with Halcrow to close out collateral warranty and to agree programme to completion of Halcrow's services.

## **6 Timetable to Infraco Contract Award – *tie* Update**

- To be advised following 05 May meeting between Bilfinger Berger CEO and Gallagher.