

Edinburgh Tram SDS Contract - Weekly Report

1 Stakeholder Relations & Business Case

The formal announcement of funding for the scheme has now been released by the Scottish Executive. Under the headline "Trams are coming to Edinburgh" the announcement stated:-

Scottish Ministers today gave approval for work to start on preparations for Edinburgh's new tram line, with the release of 60 million pounds of funding.

The funding will allow the MUDFA (Multi Utilities Diversion Framework Agreement) work of diverting and protecting utility pipes and cables to be carried out in preparation for phase 1a of the proposed tram network.

Transport Minister Tavish Scott said:

"A sustainable, integrated and effective transport network lies at the heart of our economic development.

"Trams will give passengers a safe, environmental travel choice, a choice which will see reduced congestion and reduced emissions.

"The utilities agreement that has been put in place is the right approach. Allowing a single contractor to do all the work will minimise disruption in the Capital, save money and ensure the delivery of the project. That is welcome news for Edinburgh"

2 Client Relations

Greg Ayres and I met with Matthew Crosse and David Crawley on Thursday to review scheme status. The meeting addressed some of the critical issues from TIE's perspective and also touched on PB's current commercial concerns. Matthew again adopted a position of much of the problem being down to PB in signing up to a contract without sufficient attention to detail, either technical or commercial. It would appear that the advice Matthew is receiving is focusing his attention on the fixed price nature of the SDS contract and this is being represented to PB as an obligation to do whatever may be required to secure approvals and consents. Whether Matthew genuinely believes this to be the case or whether the approach is more a result of TIE's under-funded position is debateable, but either way it is a significant hurdle which must be overcome as we move forward with the change control and prolongation negotiations.

3 Contract

3.1 Modelling

My review of the costs incurred to date in executing the modelling scope showed that the offer by TIE to remove the remaining scope from PB's contract is one which should be accepted. I advised Matthew on Monday this week of our willingness to accept his proposal. The revision to the relevant contract clauses is awaited. From a financial point of view this means that we have avoided the charge of £386k initially proposed to be claimed from PB for the execution of modelling scope by others.

3.2 Extension of Time

Significant attention has been applied this week to the preparation of a claim for extension of time. Following a meeting on Tuesday to review the contract provisions and project timeline,

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Mike Jenkins has now committed to prepare the claim to an appropriate level of detail. The intention is that this be complete by early next week for formal internal review with a view to submission to TIE either next week or the week after. In advance of completion of the complete case, it should be noted that there appears to be a strong contractual argument based on the failure by TIE to meet contractual obligations following the submission of the Preliminary Design on 30 June 2006. As with much of the material associated with variations, claims, and prolongation the question of why it has taken so long to embark on the preparation of the case must be asked. Quite apart from the need for an internal PB understanding of why that is I am sure TIE will be keen to exploit the fact in responding to our arguments.

4 Programme

As reported last week, following the meeting held on Friday 09 March TIE is now working to construct a complete programme to completion with the intent that this be presented at the next DPD meeting to be held on 10 April 2007. There has been one review meeting this week to review alignment with the forecast schedule of PB SDS deliverables, at which it was pointed out once again that the dependency on critical issues remains the most significant risk. This was picked up by David Crawley with the action to arrange a meeting next week focused on clearance of the highest impact issues from a design viewpoint. This will cover approximately twenty issues which are dependent on decisions from CEC, Forth Ports, and Network Rail.

5 Critical Issues

An update on the status of the "Critical Issues" is provided as Table 2, with a trended chart of high, medium, and low design impact issues over the last four weeks together with a list of the high impact issues cleared this week. (Note that there was no formal meeting this week due to CEC staff moving offices, but the statistics report progress through day-to-day progress)

6 Finance

6.1 Change Control Meeting

This week's meeting addressed the following agenda:-

- The claim for additional costs arising from the adoption of the High Level Option at Baird Drive
- The change control request for additional costs arising from the adoption of the option featuring a Bridge Structure rather than an at-grade crossing on the access route to the depot.

6.2 Baird Drive High Level Option (Change Notice #8: Value £239k)

TIE provided a response to PB on the draft claim submitted last week. TIE rejected the claim and I have requested a formal statement detailing the reasons for rejection. From the discussion at the meeting the key TIE argument was that the Final Version of the High Level Option Report was made available to PB through the Data Room facility. PB's assertion that the Data Room was closed prior to the Final Version of the Report being completed was refuted with TIE stating categorically that the Data Room was not closed; indeed it was maintained through the tender to award period. None of the TIE Representatives at the

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meeting was actually present through the period in question so PB requested that evidence be made available to confirm that this version of events is correct. In fact PB has an email on file from TIE (dated 11 May 2005) stating that the data room was closed – on 22 April 2005, prior to the Report in question being completed. Not only does this email provide the basis for a factual counter to TIE; it also reveals the confident statements made by TIE at the meeting to be erroneous, thereby calling into question the whole approach to dealing with PB on change control. Once this becomes apparent to Matthew Crosse I would expect a change in attitude on his part at least. (The person confidently providing the basis of rejection at Friday's meeting was Ailsa MacGregor)

6.3 New Bridge at Depot (Change Notice #7: Value £158k)

This case, (which requires further justification by PB to bring it up to the standard of the documentation prepared for the Baird Drive claim), appears to depend on the drawings used by PB during the SDS tender preparation. I had previously been informed that PB relied upon the so-called STAG Drawings, whereas TIE appear to be in a position to demonstrate that other "Parliamentary Plans and Sections" were made available in the Data Room. Should this prove to be the case – and I am inclined to believe it will be once my investigation is complete – then the basis for this Change Notice #7 will disappear since the option selected was described in this alternative source of information.

6.4 Topics for Next Week's Meeting

- CN008. Baird Drive High Level Option. Responses from TIE and PB to actions agreed this week
- CN007. New Bridge at Depot. Detailed evidence in support of the submission by PB. (or withdrawal of the notice dependent upon the findings of the investigation described above)
- CN082. Additional Run-time Modelling. Quantification by PB of the additional costs arising from the need for additional modelling work due to the change in topology of the network from a loop to a horseshoe. There appears to be a willingness on TIE's part to negotiate on this case, with the expectation of agreement to at least part of the £57k claimed.

6.5 Change Control Overview

An update on the status of the Change Control function is provided as Table 1, with trended charts by value and number for the change notices aged over the period of the contract. I have revised the percentages applied to the expected recovery model in light of my observations on TIE's approach to dealing with change requests over the past four weeks. I have also logged the £240k recovery against the modelling change request.

7 Operations

Nothing to report.

8 Other Issues

Nothing to report.

9 Weekly Look-ahead

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- Monday. Programme reprioritisation final review meeting
- Tuesday. (1100-1300). Meeting between Keith Hawksworth & Willie Gallagher.
- Tuesday. Tram Leadership Meeting.
- Thursday. High Design Impact Critical Issues resolution meeting.
- Friday. Historical Change Control Meeting

10 Immediate Challenges for the week ahead

Two top priority items this week:-

- Completion of the fully documented claim for extension-of-time
- Finalisation of the claim for additional costs arising from the adoption of the High Level Option at Baird Drive in response to the actions agreed at this week's change control meeting.

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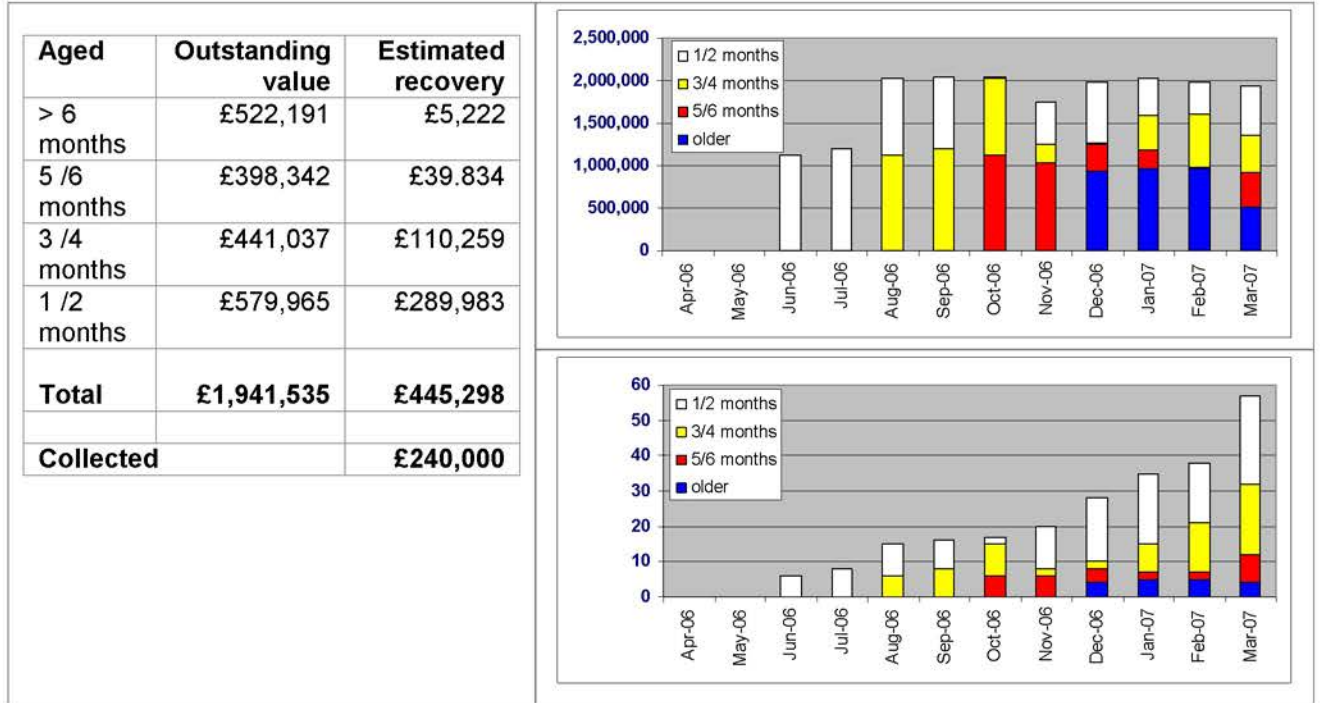


Table 1 Change Control Financial Analysis – Outstanding Change Requests Aged by Value (upper chart), and by Number (lower chart)

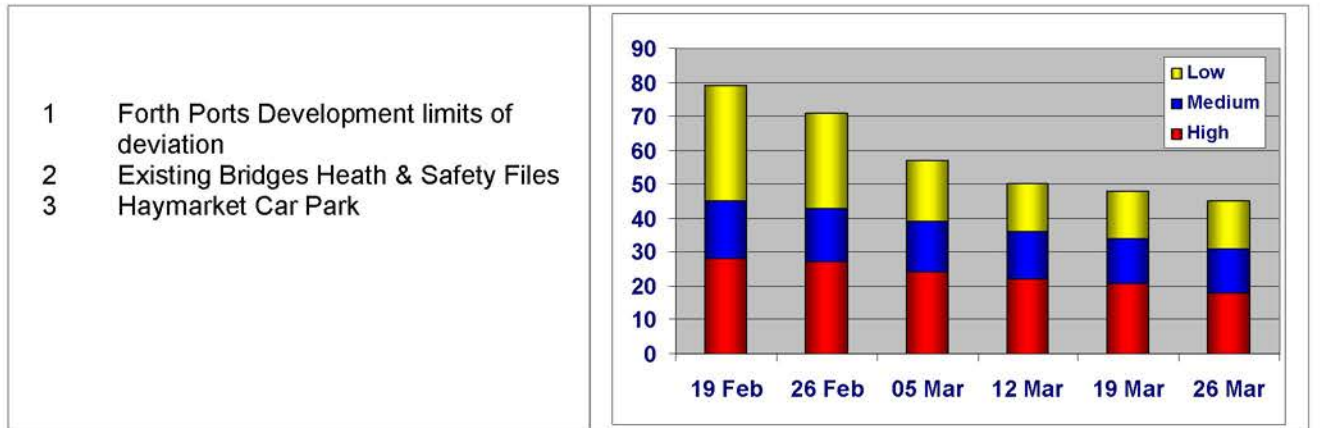


Table 2 Critical Issues Resolution Chart – (The names of this week’s high priority items cleared for detailed design to be advised)

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