

Edinburgh Tram SDS Contract – Weekly Report

1 Stakeholder Relations & Business Case

The Audit Scotland report on **tie** and the Tram & EARL Projects was published on Wednesday. I have included a copy of the findings as an attachment to this Report

Press speculation has continued with opinion swinging between the extremes of continued funding for Tram and cancellation. The SNP has reaffirmed its cancellation policy but there remains uncertainty as to whether that can be enacted without parliamentary approval. The parliamentary debate on the subject is now scheduled for next Wednesday, the 27th.

Meanwhile **tie** has initiated a structural and budget review with the focus on what type of organisation is likely to be required in future. The clear inference to be drawn from the material I have seen is an acceptance that EARL is to be cancelled and that overheads need to be reduced to a level more appropriate for what would then be a one-project company. A target of mid July has been set for the completion of the revised budget.

2 Client Relations

The initiative to apply pressure to the Stakeholders to unlock issues currently impeding the design programme was launched by David Crawley at the beginning of the week. Following discussion with me, David produced a document targeted at each of the Stakeholders and this was duly circulated by Willie Gallagher. The report below on the outcome from this week's Critical Issues Meeting shows the positive impact of the initiative. Clear evidence of significant progress as a result of targeted attention on the Stakeholders should validate the stance I have been promoting that PB has been held due to lack of progress by others rather than as a result of under-performance on PB's part. This should provide a firm foundation for constructive debate at the next DPD, (5th July), and TPB, (12th July).

One item of significant concern arose this week from a statement made by Geoff Gilbert at Tuesday's SDS Project Management Meeting chaired by Tony Glazebrook. Talking to the agenda item on claims, Geoff confirmed that **tie** was actively reviewing the PB claim for prolongation, went on to confirm that **tie** would be submitting a counter claim, but then stated that the value of the counter claim would be greater than the sum for additional costs submitted by PB. On hearing this I requested an adjournment and John McNicholls and I met separately with Tony and Geoff. I expressed my disbelief that **tie** could be in a position to submit a claim as described by Geoff, but stated that if Geoff were to stand by his statement I would have no option but to withdraw from the Project Management Meeting.

John and I then took advantage of the adjournment to discuss with Tony and Geoff the impact on PB cashflow arising from the delays to programme caused by others. We made clear that our inability to deliver completed design packages as a consequence was preventing us applying for payment in line with the planned profile. Tony and Geoff withdrew for private discussion and when they returned we suggested the possible solution of an on-account payment. Tony responded by saying that that was exactly the solution which he and Geoff had decided upon. I asked if he had a figure in mind and his response was to ask what our figure would be to which John answered, "£3m". Tony undertook to take this away for further consideration.

Returning to the subject of the counter claim, Geoff then indicated a willingness to withdraw his statement so I agreed that the Project Management Meeting could reconvene. Geoff informed the meeting that his statement was withdrawn on the basis that what had been said had been a personal observation rather than **tie** policy. The agenda ran through to conclusion, with me taking the opportunity to elevate the item on Critical Issues with a view to Geoff experiencing at first hand in a Project Management Meeting the impact of these issues

Edinburgh Tram SDS Contract – Weekly Report

on the programme. (Geoff isn't a regular attendee at the Project Management Meetings, and tends not to appreciate the characteristics of the project working environment).

Managing to arrive at a compromise to allow a meeting to proceed is one thing. Clearly the greater concern is that Geoff's statement may be representative of a wider view. Geoff's position contrasts sharply with Davis Crowley's much more supportive stance on PB's rights discussed below in the report on Critical Issues, but it is clear that frank discussion is now required with Matthew Crosse and then Willie Gallagher. A special meeting has now been scheduled with Matthew, Greg, and me for this purpose next Wednesday.

3 Contract

Discussions have been held with Grant Smallhorn on the optimum approach to completing the project and to reinforcing PB's commercial claims. Grant has been provided with copies of the Contract and the Claim for Prolongation. Grant is now assisting in mapping out the strategy to deal with **tie** over the next four weeks to secure timely resolution of PB's issues, or, in anticipation of any failure to secure such a resolution, to make preparations should it be necessary to invoke the dispute resolution procedures.

4 tie Master Programme Reprioritisation

The programmed date for Infraco Contract Award has been brought forward two months from March to January 2008. This has been achieved by agreement with Transport Scotland on a reduced approval period prior to contract award. (Clearly programme dates are only being maintained by reducing approval periods later in the programme to offset delays to date brought about by stakeholder inaction).

5 Critical Issues

This week's meeting to action clearance of the remaining Critical Issues was held on Thursday. Table 1 shows performance achieved in clearing the high, medium, and low design impact Issues since w/c 19 Feb. Table 2 shows current status by Section.

This meeting had full representation from CEC and TEL together with Matthew Crosse and Tony Glazebrook in attendance supporting David Crawley as Chair. David and I had reached agreement over the past week on the strategy to be adopted to put pressure on the Stakeholders to confirm acceptance of preliminary designs so that detailed design could be completed. This resulted in CEC and TEL being told at the meeting that the previous approach based on waiting for the results from traffic modelling and bus operations analysis before moving to complete the detailed design was to be discontinued. PB would now be working to complete the design on the basis of the as-submitted preliminary design material unless anyone at the meeting could demonstrate a reasonable case against such an approach. This resulted in most of the Critical issues being closed out, although seven remain:-

- The two in Section 1A awaiting information from Forth Ports
- One in Section 1C awaiting confirmation from TEL on shared running between buses and trams on one particular street.
- One in Section 3A related to information from the potential Tram Suppliers on noise levels.
- Two in Section 5A: one due to the continuing delay in CEC and the Scottish Rugby Union reaching agreement on land proposals; the other due to a **tie** imposed delay on

Edinburgh Tram SDS Contract – Weekly Report

borehole sinking due to a desire not to be seen to be spending public money unnecessarily in the current political climate.

- One System-wide issue which can only be resolved once the final wide-area traffic model has been run by CEC.

Attachment 2 provides a timeline overview of the clearance of critical issues from w/c 09 February onward – i.e. the period over which the Critical Issues Meetings have been running. This shows clearly the duration of each of the issues from being raised with **tie** through to informal agreement and /or final resolution. The purpose of creating this analysis was two-fold: (a) to inform the next DPD Report and, (b), to provide further evidence to support PB's claim for prolongation.

6 Finance

6.1 Change Control

6.1.1 Engineering Review of SDS Proposed Changes Meeting (Two weekly cycle)

Nothing to report this week.

6.1.2 Financial Review of Historic Changes Meeting

Although included as an item on the agenda for the project Management Meeting the topic was deferred to a special meeting to be held next Wednesday afternoon. The meeting will be attended by all parties, commercial and engineering, with a view to reaching final agreement on the remaining change requests.

6.2 Claims

6.2.1 Prolongation Claim

With the completion of the Audit Scotland Review, the PB claim for prolongation has now been submitted formally through document control. As reported above, a special meeting has been scheduled for next Wednesday with Greg, me, and Matthew Crosse to pursue commercial matters and the subject of **tie**'s response to the prolongation claim will be discussed as part of the agenda for that meeting.

6.2.2 Prolongation Claim Supplement

As a direct result of being able to present the timeline analysis of Critical Issues clearance referred to above, David Crawley has expressed (to me) his agreement in principal for PB's case for prolongation and he recommends that we construct a fair and reasonable estimate of costs incurred as a result of the impact of the slow clearance rate on Critical Issues. The additional costs incurred up to and including w/c 02 April have already been presented as part of the main claim for prolongation. The supplementary claim to be submitted for additional costs for the period from 09 April to date will be based on the delays caused by Critical Issues and underpinned by the above analysis.

In addition to recommending a way in which to derive costs for prolongation David has also committed to me to assist in the presentation of the case for prolongation costs to Matthew Crosse. As reported above, this supportive approach contrasts sharply with that of Geoff Gilbert.

6.3 Cashflow

Edinburgh Tram SDS Contract – Weekly Report

The request for an on-account payment of £3m as presented to Tony Glazebrook during the adjournment of the Project Management Meeting will also be raised at next Wednesday's special meeting with Matthew.

7 Operations

A meeting was held on Monday with David Watters, Executive Director Rail for Halcrow. The meeting reviewed current project status and considered actions necessary for completion of the remaining works. Halcrow provided assurances of intent to make the required resources available as a matter of priority with a view to completion of the Halcrow scope in August.

In contrast to the assurances given by David Watters Halcrow has failed on two counts this week. One instance being the unacceptable quality of a suite of five drawings submitted for Utility Diversions; the other being the failure to meet a drawing package submission date having promised PB and tie on Wednesday that the Friday deadline would be achieved. I am in discussion with Mr Watters on how best to prevent future problems arising from the lack of adequate resourcing on the project.

8 Other Issues

Nothing to report

9 Weekly Look-ahead

- Wednesday. Meeting between Greg, me, and Matthew Crosse to pursue commercial negotiations.
- Thursday. Weekly Critical Issues Meeting, (Chair D Crawley)

10 Immediate Challenges for the week ahead

10.1 From Last Week

- Working with the Stakeholders and Third parties to unlock the issues inhibiting detailed design progress. (*Actioned at the Critical Issues Meeting*)

10.2 For Next Week

- Presentation to tie of the case for a substantial payment on account
- Securing assurances from tie on consideration of the PB claim for prolongation
- Continuing to work closely with David Crawley to ensure this week's gains on unlocking Stakeholder and 3rd Party issues are carried forward
- Mobilising the PB and Halcrow design teams to commence work on completion of the remaining detailed design scope.

Edinburgh Tram SDS Contract – Weekly Report

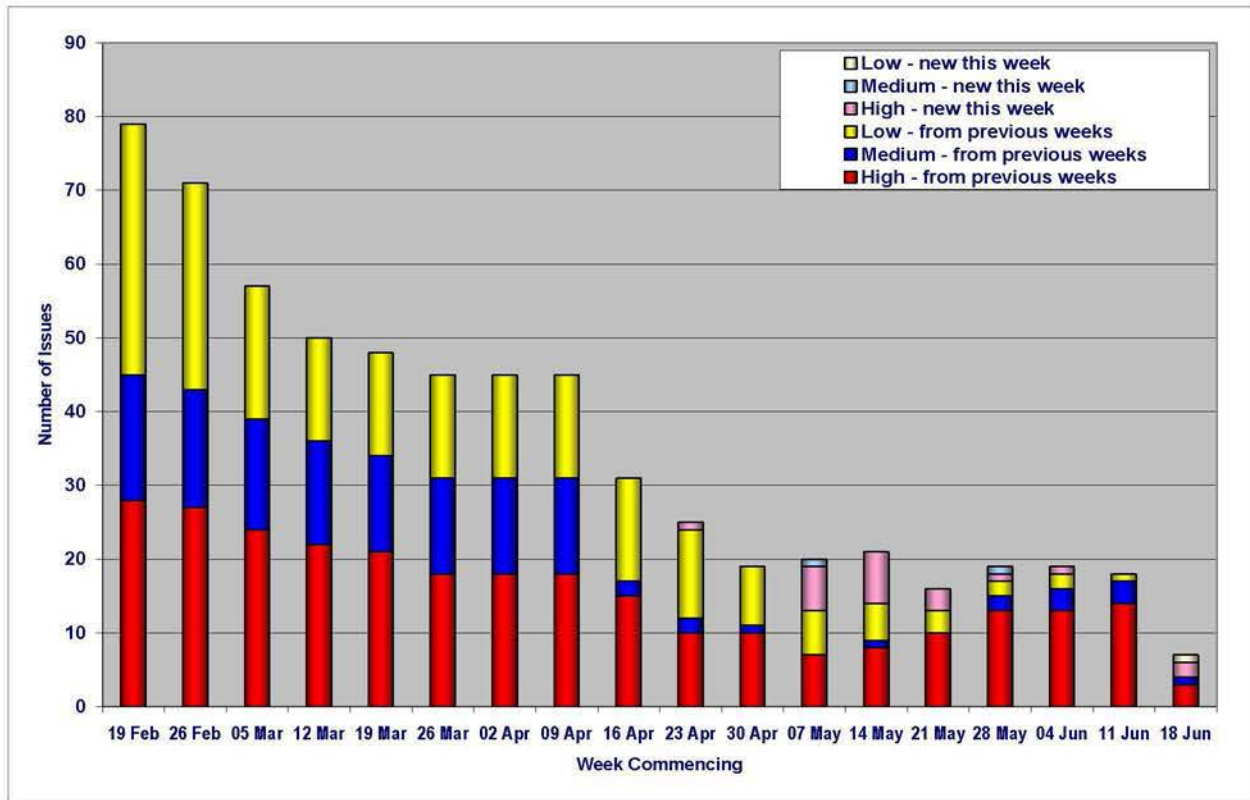


Table 1 Critical Issues Clearance Progress

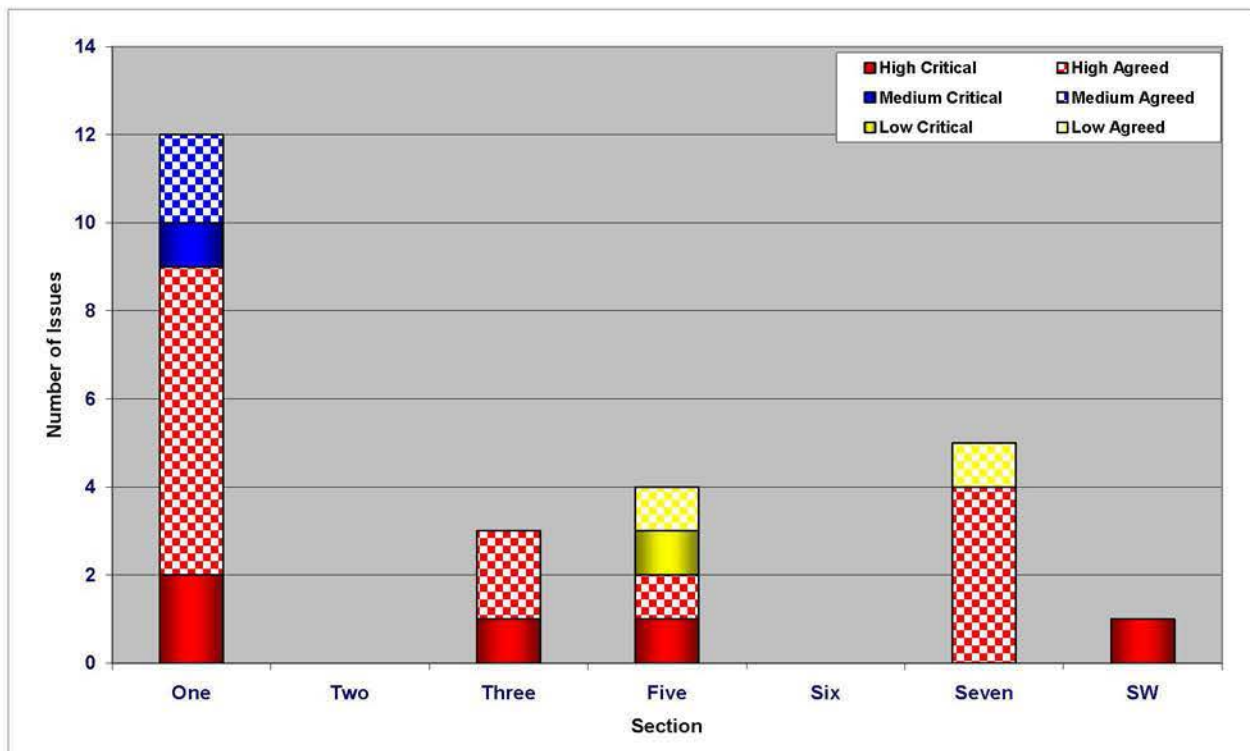


Table 2 Critical Issues Current Status by Design Impact & Section
 (Solid bars show outstanding Issues. The hatched portions represent Issues for which agreement has been reached but written confirmation remains outstanding)

Edinburgh Tram SDS Contract – Weekly Report



C:\Documents and Settings\reynoldss\M

Attachment 1

Edinburgh Transport Projects Review – Audit Scotland



C:\Documents and Settings\reynoldss\D

Attachment 2

Critical Issues Clearance Timeline from 01 Feb 2007.
