

1 Client Relations

1.1 Council

Thursday was the day set for the Council debate on the report to be provided by **tie** recommending that the scheme be sanctioned. In the event BBS had not signed the Legal Agreement with **tie** so the Council was unable to provide final sanction. What has apparently been agreed is that authority for approving the scheme is delegated to the Council Chief Officer so once the Agreement has been signed by **tie** and BBS all that is required is for Willie Gallagher to submit the Agreement to the Chief Officer, rather than back to full Council.

Current status on the negotiations with BBS today, Friday, is that Bilfinger Berger has signed but Siemens has not. I understand Siemens' signature is expected to be secured today. From a meeting with Richard Walker, MD Bilfinger Berger UK, at his Manchester office on Friday I understand the sticking point had been BBS's refusal to sign up to any risk arising from CEC preferential engineering, in particular the potential for impact on programme. Hence, going forward management of CEC planning and approvals is to be with **tie**.

1.2 BBS

Richard Walker is keen to form a close relationship with PB and we are to meet again early in the New Year to agree design scope in advance of the novation of the SDS contract. This meeting will focus on quantification of the SDS contract scope remaining to completion plus any other design scope which BBS would propose that PB should undertake. This is likely to be as a consequence of any value engineering initiatives and will probably be associated with major structures redesign. At a different level of detail I have also suggested to Richard that some of the PB support team in Edinburgh working on Document Control and administration, for example, could usefully be carried through into the contract between PB and BBS. Richard is keen to do this as part of the establishment of the new team in Edinburgh.

The most interesting topic of discussion with Richard was in relation to the new Interchange at Gogar. Previously in discussions with Willie Gallagher Willie had suggested to me that the design for this scheme should be given to PB direct from **tie** and would form the basis for a new contract for services between **tie** and PB. Richard tells me that as part of the Infracore negotiations Willie has now suggested to BBS that this scheme is likely to be granted as a variation order to BBS sometime in March. Richard has suggested to me that the design for the scheme would then be offered by BBS to PB as a variation to the novated BBS /PB SDS contract. (On a general point Richard has stated that he has no wish to exercise any right to employ a designer other than PB going forward on the scheme).

If Gogar interchange is indeed contracted by **tie** with BBS this reduces considerably the attractiveness of signing up to a direct contract with **tie** going forward. The scope of such a contract would then be limited to the completion of works which could not be novated, such as the remaining MUDFA design scope. BBS has also expressed concern over the potential for conflict arising from PB continuing to have a direct relationship with **tie** outwith the novated contract. Whilst more work remains to be done on the whole subject of novation it now seems that PB's interests are likely to be best served by adhering to the letter of the SDS contract and not pursuing a continuing relationship with **tie**.

1.3 **tie**

My weekly meeting with Willie held on Thursday concentrated on programme issues, and specifically on the need for an efficient process to be adopted by CEC on prior and technical

approvals. Duncan Fraser of CEC attended to ensure that CEC and PB have a consistent view on approvals priorities.

We also discussed novation and Willie asked me to consider whether a delay to novation might be sensible in light of the incomplete status of certain elements of the design. Willie is thinking in terms of weeks rather than any significant delay. (This suggestion is counter to the insistence of the *tie* procurement team that novation must occur simultaneously with Infracore contract award)

Willie had planned a presentation to all staff on Thursday afternoon which had been intended to focus on CEC sanction for the scheme to go ahead. As reported above this was not possible, but Willie went ahead anyway with what turned out to be a short and fairly subdued address.

2 Commercial

2.1 Contract

2.1.1 Employer's Requirements

A meeting has now been scheduled for w/c 07 January with *tie* to review the potential consequences of implementing the revised set of Employer's Requirements produced by *tie* to reflect changes required to accommodate the BBS Offer. At a preliminary meeting on Thursday this week I emphasised that the action remains with *tie* to advise where any changes to the SDS design should be instructed but that we would assist by attending the proposed Requirements Review meeting. I also advised Matthew Crosse that the risk to *tie* is unlikely to be that the SDS design will not meet the revised requirements, since these are likely to be a relaxation of those that BBS was invited to tender against. The key risk is that CEC and other Stakeholders will not be satisfied with them. Matthew has undertaken to manage the stakeholders to avoid any problems but this is unlikely to be a straightforward task based on the experience of delaying events by CEC and TEL over the last eighteen months. Once the review meeting has taken place BBS is to be asked by *tie* to submit an updated compliance matrix.

2.1.2 Novation

There has been no further progress with *tie* this last week as *tie* has been fully occupied with negotiations with BBS as described above. A meeting has now been scheduled for 03 January to resume discussions on novation. Grant and I have worked this week to conclude our own review of *tie*'s "novation plan", first tabled at the 05 December meeting. In light of this - and also as a result of the information received from the meeting with Richard Walker referred to above - I am planning for the 03 January meeting to be conducted against the SDS contract novation clauses and schedules rather than against the *tie* novation plan.

2.2 Change Requests

Nothing to report.

2.3 Claims for Prolongation

Preparation of a further claim for prolongation associated with the completion of a final SDS Contract account has continued. I have almost completed a skeleton document but have yet to receive Halcrow's input. I aim to advise *tie* of the analysis as part of the Final Account discussions which are to commence in the week of 07 January.

On the subject of the outstanding legal agreement on the first claim, we still await **tie**'s finished document for signature. In the meantime Grant and I have completed the final draft of the cascade Legal Agreement to be signed between PB and Halcrow.

2.4 Cashflow

As a result of my applying pressure to Steven Bell, payment has now been received against the latest certification in the sum of £1.7m.

3 Operations

3.1 Detailed Design

Achievement of design package targets remains on target.

A problem has arisen this week with CEC attempting to introduce changes to the generic Tramstop design as part of the final planning approval. This design has been in place for many months and changes at this stage cannot be introduced without significant cost and time impact. Matthew Crosse has been advised of the position and is to apply pressure to CEC to resolve the issue.

3.2 MUDFA

tie has requested some changes to the phasing of delivery of the remaining IFC drawing packages. This week's MUDFA Sub-committee meeting focused on co-operation between **tie** and PB to achieve this. Working relations on MUDFA are now good with both **tie** and PB working closely to co-ordinate SUC effort on the approval of drawing packages. The remaining packages of IFC drawings are scheduled to be delivered by section as follows:-

January	1A2, 1D, 2A, 5B, 5C	
February	6	Delayed due to tie negotiations with Scottish Water at the Depot site
March	1A1	Delayed due to delays in the completion of the Forth Ports area route alignment
	1C	Delayed due to delays in CEC decision on the development of Picardy Place

As noted above, MUDFA design is not included in the SDS Contract scope to be novated to BBS. Hence, if a separate contract is not signed between **tie** and PB any remaining MUDFA design work outstanding at the point of novation will not be completed by PB.

4 Other Issues

Nothing to report

5 Weekly Look-ahead

- The **tie** offices are closed for the period 25 December through 02 January.

6 Timetable to Infraco Contract Award - Update

- 21 December Revised date for signature of the Infraco Legal Agreement by *tie*, Bilfinger Berger, and Siemens
- 31 December End of current funding period – date by which approval to proceed must be granted – now by the Chief Officer of CEC rather than Full Council
- 28 January Novation of the SDS Contract.
- 28 January Infraco contract award.