

From: Stewart McGarrity
Sent: 08 November 2010 07:48
To: Gregor Roberts; Alan Coyle
Cc: Dennis Murray
Subject: HANDOVER - Cost Estimates - Carlisle tie Price
Attachments: Final Explanatory Note (3).docx

HANDOVER - Cost Estimates - Carlisle tie Price

This is part of the explanation of where all the numbers in the Options Costing spreadsheet come from. The attached was the explanatory note provided by the Carlisle team (Tony Rush w/ GHP) as to where they their numbers from. For the BB+S part this was for the most part the Carlisle teams pricing based upon their understanding of the make up of the original BSC price, their take on our change register and a bit of colour added from their engagement with BB+S.

BSC Price

Extracted from the attached paper the relevant numbers for BB+S only are:

	BB	S	Total	
Airport to Haymarket (original contract price)	80.4	71.3	151.7	
Haymarket to Wav Bridge (original contract price)	-	9.1	9.1	ie does not include civils beyond Haymarket
SAS to Newhaven (Existing works in Leith)	8.2	-	8.2	Some of this would be recovered from FP
Before Change	88.6	80.4	169.0	
Change – from INTCs	32.9	3.8	36.7	
EOT 1	3.5	-	3.5	
Change – not notified to tie (@40% of value)	7.1	-	7.1	Apparently a big chunk re a retaining wall at Gogarburn
'Part A' (ie Airport to Wav Bridge)	132.1	84.2	216.3	

The actual Part A price in our counter offer to BSC dated 7th September was £216,492,216. Dennis did some work to reconcile the figures above against the commercial teams records and my notes say he thought it was £124.5m for BB plus £79.7m for S – a total of **£204.2m**. I don't have the details but Dennis will if they are ever required.

The Carlisle negotiations specifically excluded the settlement of sums due under PSSA and SDS design costs (for the record – I think we should have been trying to close down these uncertainties as part of the same deal and maybe we would have if Carlisle negotiations had progressed further). I included **£9m** for PSSA and **£14m** for SDS based again on the attached note from the Carlisle team.

The attached note has CAF at £55.8m. I think they got this wrong as this amount appears to exclude the maintenance mobilisation and spare parts costs under the TSA. I included the full **£58.5m** CAF price in the Options Costing spreadsheet.

The Carlisle offer price was in anticipation of some negotiation. For the purposes of the Options Costing spreadsheet we assumed the negotiation would be about their prolongation costs – we included £20m (£3.5m for EOT1 – already included in the offer above - plus a further **£16.5m**) ie assuming our liability on the off-street would be c 6 months. If the price were a genuine GMP there would be no need to anticipate any need for further scope related change. The attached paper in fact anticipates a pretty wide range of outcomes from the negotiation. **In the event the required risk allowance would be an output from a formal QRA on the contractual risks retained by us in a negotiated deal.**

The BSC outturn anticipated in the Carlisle tie Price column of the Options spreadsheet therefore totals £216.3m (Part A GMP offer) + £9m (PSSA) + £14m (SDS) + £58.5 (CAF) + £16.5m (negotiation/risk) = **£314.3m**

New Procurement

Again taken from the attached Carlisle team paper – the figures are **£13.9m** for what is not included above to SAS (see page 11) and a further **£60m** for SAS to Newhaven (£43.6m for civils plus £16.5m for systems – see page 15) so a total of **£73.9m** before allowance for risk. (Confession – in previous versions of the Options Costing spreadsheet you will see £87.9m because I double counted the £14m SDS costs).

This Carlisle team estimate is based upon a total cost of £12m per km compared to £14.9 per km claimed by BSC for Princes St. The civils element of £43.6m represents a civils cost of £9m per km. The original BSC price for civils was £6.7m per km and the Carlisle team reckon the on-street civils cost is £5-8m per km depending on scope/design. Conclusion; the on street costs are at large depending on scope ie extent of road reconstruction etc. Further on street delay and disruption is a big consideration and therefore our risk allowance again new procurement is **£20m**. **In the event the required risk allowance would be an output from a formal QRA on the contractual risks retained by us in the reprocurement.**

All clear then?
Stewart

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From: Richard Jeffrey
Sent: 19 August 2010 11:22
To: Alastair Richards; Stewart McGarrity
Subject: FW: Project Carlisle

For info

R

From: Anthony Rush [mailto:rush_aj@cqm.co.uk]
Sent: 18 August 2010 21:48
To: Fitchie, Andrew
Cc: david_mackay@tiscali.co.uk; Richard Jeffrey; Jim Molyneux; William Mowatt; Steven Bell; Joanne.glover@dlapiper.com
Subject: Project Carlisle

Andrew

I attach my latest draft of the Explanatory Note which I trust will inform our meeting tomorrow evening.

I have not used “tracked changes” rather changed the font to New Times/blue for additional scripting.

Jim will arrange to have it indexed tomorrow and we can bind whatever is agreed goes on to the meeting on Friday with CEC

Please ignore the maintenance schedules I haven't got copies of the final schedules.

Tony

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