

# Tram Project Board

7 May 2008

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## Agenda

- Overview
- HSQE
- Contract Close
  - Negotiations with Infraco
  - Close process
  - Infraco terms – reprise and next steps
- Operations
  - MUDFA
  - SDS – Underlying Performance
  - Infraco mobilisation / Milestones for next 3 months
  - Business Support Scheme

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## Overview

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## HSQE

Steven Bell

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## HSQE

- P1 RIDDOR Accident Investigation completed & being reviewed
  - HSE meeting May 08; HSE unannounced visit to Shandwick Place
- Traffic Management Near Miss Constitution Street
  - Panel of Inquiry underway led by independent director
- Overall
  - AFR now 0.15
  - Increase in incidents
  - Revised and enhanced Safety tours and audit regime underway
  - Contractor initiatives progressing and being challenged

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## Negotiations with Infracore

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## Background

- Full set of legal documentation sent to BBS on 22nd April as agreed.
- Meeting with BB & S on 24th April (senior representatives) confirmed all commercial matters concluded.
- Legal diligence proceeds
- WG receives call from BB (Walker) on 30th April a.m. requesting £12m price increase.
- Emergency TPB held same day to discuss
- Meeting of senior principals held 5th May

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## Proposal from BBS

- Being driven by BB
- S claim to have sought to influence but no sign of impact.
- BB support for the price increase is sketchy, confused and wholly unconvincing.
- All signs are that it is last-minute unprofessional brinkmanship.
- BB claim their costs are £17m wrong, have reworked internally to arrive at £12m.

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## tie / CEC response

- Extreme frustration but tempered by potentially highly undesirable consequences of exiting BBS.
- Alternatives examined (see later) - concluded that seeking a conclusion with BBS still the desired outcome.
- 5th May meeting culminated in a proposal that tie would absorb
  - £3m of additional cost in return for tangible contractual and risk improvements ; and
  - Agree a contingent risk of £3.2m - to meet BBS allocated costs in event that Phase 1B does not proceed.
- BBS response disjointed and confused, coupled with further evidence of horse-trading ; injected new demand for sequential design process, rejected long ago
- Ultimatum sent close of play 6<sup>th</sup> May- response received this morning, requesting pricing adjustment of £9m and alignment of design process.

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## Procurement Background

- Alternative procurement options are :
  - Siemens led consortium with BB replaced (fired by S)
  - Re-introduce Tramlines as under-bidder
  - Full re-procurement
- Each has significant cost and programme risk
  - Cost almost certain to increase above the £12m grab by BBS
  - Programme likely to extend by 3 / 6 / 12 mths under the 3 options
- Must be mindful of regulations -- at the £508m deal level, we have concluded that scope for challenge is remote, but further price increases also increase risk of challenge or subsequent criticism.

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## Recommendation

- tie believes we can justify the final deal under the regulations with the contingent Phase 1B payment and £3m adjustment of terms.
  - If 1B proceeds – no £3.2m payment; 1B doesn't proceed we have other sunk costs to deal with – design, management and possibly utilities.
  - £3m buys benefit, difficult to quantify definitively but real
- Gets the contract signed – cost and programme risk of further elongation is material.
- Alternative options exist but are highly risky
- tie recommend proceeding on basis of ultimatum
- Clear risk that BB may exploit position further and that Siemens / CAF / SDS may also hold out the hat

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## Infraco – Contract Close

- Infraco Contract Suite
- Formal documents required by BBS
- Close Report
- DLA Report
- QC programme
- tie management sign-off → Letter from tie Chairman to CEC CE
- CEC CE approval
- Approvals Committee – WG / DM / NR
- Confirmation from DLA on BBS / SDS signing authority
- tie and TEL Operating Agreements
- Close

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## Infraco terms – reprise and next steps

- Assuming we do not have a response from BBS, appropriate to consider what-ifs
- Issues are :
  - Conclude with BBS suffering price increase v uncertain alternatives
  - Assessing risk factors attaching to alternatives – cost / programme
  - Suitability of BBS as a partner
  - Government / TS involvement and reaction
  - Possibility of credible procurement challenge
  - Communications
- Brinkmanship tactics

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## Operational update

MUDFA  
SDS

Infraco Mobilisation/ Milestones for next 3 months  
Comms and Stakeholders

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## MUDFA (1)

- HSQE Follow up of RIDDOR including close out of actions & Constitution Street Traffic Management
- Progress vs. Programme
  - West End Traffic Management Phase 2 implemented as planned 26.04.08
  - Further slippage to revision 06 but critical path delay remains at 2 weeks
  - Rescheduling undertaken to mitigate impact
  - Proposed REV 07 Programme being agreed & involving stakeholders
- Reinstatement initiative being very actively pursued for
  - Leith Walk
  - Constitution Street
  - Shandwick Place

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## MUDFA (2)

- Production initiatives
  - Resources and supervision issues being pursued assertively with Carillion Directors to fully implement identified recovery plans.
  - Formal review tomorrow with S Hudson
  - Includes review of Carillion staff performance
  - Utility attendance enhanced to minimise disruption

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## SDS – Underlying Performance

- Detailed deliverables progressing
- Task Force Approach to unblock Prior and Technical approvals
  - Underway with good input from CEC Planning, Technical and SDS as well as tie.
  - Still some days lost but visible and mitigated
- Issued For Construction Drawings now being issued by SDS and are becoming available for InfraCo.
- Mitigation plans clear and being managed in detail by both tie, SDS CEC.

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## Infraco Mobilisation / Milestones

- Consortium Site Accommodation at Gogar to be solved
- Planning for Demolitions, Systems support and early works ongoing
- May
  - Gogarburn surcharging
  - Caledonian Ale House Demolition
  - Russell Road site prep
- June
  - Roseburn Demolition
  - Commence Haymarket Viaduct, Murrayfield Tramstop and Earthworks
  - Commence Gogarburn Bridge prep
- July
  - Trackworks commence
  - Murrayfield underpass
  - Depot Building foundations

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## Communications and Stakeholders

Colin McLauchlan

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## Communications and Stakeholder

- Six Tram Construction Advisers
- Leith Walk Clearance Plan
- Two Tram Logistic Teams – third by July
- Tram Information Boards – eleven in situ since 1<sup>st</sup> May
- Sponsoring Community stream of Leith Festival May
- 1770 contacts in April - over 1400 directly with Tram Construction Advisers.
- Business Support Scheme – 160 plus applications with over £600,000 committed by end April.

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