
From: Stewart McGarrity
Sent: 04 March 2009 13:26
To: David Mackay; Steven Bell; Susan Clark; Jim McEwan; Graeme Bissett (external contact); Campbell, Bill; Alastair Richards - TEL; Colin McLauchlan
Cc: Gregor Roberts
Subject: Note of CEC/TS Qtrly Snr Mgt Meeting - 3/3/09 - PRIVATE & CONFIDENTIAL FOISA EXEMPT

PRIVATE & CONFIDENTIAL – FOISA EXEMPT

I think formal notes will emerge from CEC but here are my headlines for information

In attendance:

TS - Bill Reeve(BR), Jerry Morrissey(JM) and John Ramsay(JR)
CEC - Donald McGougan (DM), Marshall Poulton (MP) and Alan Coyle (AC)
Bell (SB) and McGarrity (SMcG)by invitation

1. BR stated that as well as a briefing on the DRP process Ministers are very concerned about what the current situation means for outturn costs and programme.
2. SB briefed on current status of the DRP process for Princes St and the intention to extend the process to other principles and areas in dispute with a view to minimising further programme damage whilst resolving principal areas of disagreement asap.
3. BR asked for details of the current status of the utilities programme – a principal reason BB give for not being able to progress. SB briefed on the current status of the utilities programme (as will be reported in the period 12 TS report to go out this Friday), the risks of further delays and the fact BSC are fundamentally failing to manage the Infracore programme to integrate with late running utility diversions whilst recognising these would in any case be delays we'd have to pay for (eg late depot access) but we have provided for such.
4. BR asked for the reasons for utility delays and SB explained unexpected assets or conditions on opening the ground, SU engagement (or management thereof) to resolve, traffic management and embargo restrictions more of an obstacle than anticipated and poor workmanship by contractor requiring remedial work.
5. SMcG talked through the strategic commercial options (the options A to E bullet point paper) and outlined our conclusion that a targeted DRP campaign is the way forward with a view to precipitating a Siemens step-in / civils partner replacement if there is no about turn by BB and demonstrable willingness and preparedness to deliver in a dynamic way.
6. BR strongly recommended we look more closely at a scenario where BB wants to terminate – SB/SMcG clarified that only the consortium could terminate and Siemens are joint and severally liable for BB performance. BR also notes there has to be a tipping point where option A (termination) is in the best interests of all.
7. BR stated the costs of the DRP process are not covered under the Grant. JM clarified this was because they are not expressly covered under the definition Eligible Capital Costs under the Grant. BR said they would refer back and clarify. DM asked them to reconsider and noted that this would be a very difficult issue for wider communication [*SB/SMcG consider we (tie or CEC) should not pursue this point lest we get entrenched positions in the TS rank and file*]
8. At DM prompting SB outlined the composition of the Gateway Review Team (Gillan, Hutchison & Heath plus Marshall Poulton) to act as a point of assurance on the commercial strategy we are adopting and the DRP process and particular issues referred. **BR requested a copy of their terms of reference.**
9. BR noted that even in the context of the current uncertainties TS require **by the end of March**
 - **Updated picture of outturn costs and the profile allocated to different years (in the context of the strategic options)**
 - **Updated assessment of the programme to complete Phase 1a.**
 - **Confirm that there are no contractual or other arrangements which might expose Scottish Ministers to a liability greater than £500m**

10. BR noted that if 9. reflects possible cost overruns (above £545m) then Ministers will require assurances from CEC that they can provide the additional funding to complete the project
11. BR noted continuing dismay at the fact our costs forecast for 0809 was continuing to fall (down £7m in period 12) as the funds could have been redirected to other projects. He also noted we are serial offenders in this regard. SMcG acknowledged this as a serious concern and gave further assurance that forecasts represent the best information available at any point in time and the continuing sensitivities were flagged as best we could. Infracore missed 22 construction milestones in P12! *[I need to start anticipating "optimism bias in our PMs forecasts perhaps?]*
12. Need to qualify the P12 report to be submitted this week as it does not reflect 9. Above.

Regards,

Stewart

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