

VALUE ENGINEERING EXERCISE

Notes From the Workshop Held On 20 December 06

Objective

To identify potential savings opportunities of up to £50m on capital costs.

This is to be used to create an increased level of contingency within the existing budget as a buffer against future potential problems.

Andie Harper to prepare a report on potential savings by the end of March 07.

Approach

- 1) a) Keep an open mind – all potential opportunities to be considered
b) Base on current Baseline as DFBC £528m (exclusive of £64m risk allowance)
- 2) Identify potential savings by:-
(including programme reduction opportunities, alternative construction methodologies, changes to quality – e.g. asset life)
 - each system (Design Element) – Track, OLE, etc
 - design (7) sections and subsections
 - Budget element (e.g. o/h, soft costs,)
 - maintenance (trade off between Opex/Capex costs – Whole Life Costs but concentrating predominantly on Capex savings)
 - contract (Infraco/Tramco/MUDFA)
 - contractual approach – e.g. could a different contractual approach yield savings – SDS Novation (Pros and Cons)
 - Third Party Agreements requirements
 - Design/scope uncertainty – anticipate what Infraco will risk price
 - traffic management measures
 - Land allowances
- 3) Consider potential extras
 - Identify areas of potential increase in cost
 - Mitigations to avoid extra costs (See also Project Risk mitigations)
 - Do we have any duplication/overlap between obligations in each of the principal contracts? Need to ensure that we are not giving away money
 - MUDFA scope and programme uncertainty
- 4) Analysis
 - Analyse impact on:
 - Capex / Opex costs
 - Programme
 - Risk values, probabilities and mitigations
 - Stakeholder acceptability

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- Quality – Of asset and its maintenance cost
 - Consult designer - SDS
 - Future proofing
- 5) Categorisation. Potential opportunities to be categorised as:-
- Easy
 - Minor or no change to design
 - No stakeholder issues
 - No adverse impact on programme
 - No impact on Third Party Agreements
 - Medium
 - Significant changes to design
 - Stakeholders will need convincing
 - Hard
 - Change to LOD and/or Tram Acts
 - Changes required to Third Party Agreements
- 6) Categorisation and Analysis to
- Be undertaken as a rolling process following each meeting
 - Analysis and assessment of impacts to be undertaken by DC/JP/TH/NC (supported by OO'R)
 - Be guided by workshop attendees and GG/AR/JL/RJ in particular
- 7) Repeat in May – July with Preferred Bidder to confirm impacts and to take forward any ideas bidders may have (where not identified and fed into the process earlier)

Programme

- Identification and Analysis – Jan-Feb
 - + Programme Implications etc
 - + Consult with bidders on implementation of savings. Get their agreement before finally selecting opportunities
- Final Report – by end of March
- Repeat with preferred bidder – May – July

Future Workshops

To be facilitated by Mike Jeffereys.

Dates for future meetings (All at 2pm, venue to be advised):-

- Tuesday 9th Jan
- Wednesday 17 Jan
- Wednesday 24th Jan
- Wednesday 31 Jan
- Wednesday 7th Feb
- Wednesday 14th Feb
- Wednesday 21st Feb

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- Wednesday 28th Feb

Meetings thereafter to be arranged as and when required.

Current Potential Savings Opportunities

See appended list for status of previously identified opportunities.

Workshop Attendees

Andie Harper – Project Advisor
Geoff Gilbert – Project Commercial Director
Alan Dolan – SDS
Steven Bell – tie Engineering and Procurement Director
Toby Klisky – TSS
Ray Miller – TSS Engineering Representative
Jim Harries/Roger Jones – Transdev
Ailsa McGregor – Project Manager SDS contract
Alistair Richards – TEL
Brian Hanaby – Brian Hanaby Associates
Neil Harper - Brian Hanaby Associates
John Pantony – Estimating Manager
David Carnegy – Cost Reporting Manager