
From: Susan Clark
Sent: 19 January 2010 09:18
To: Mike Heath; Malcolm Hutchinson; Andrew Sloan; williamt@[REDACTED]
Cc: Richard Jeffrey; Julie Smith; Steven Bell
Subject: Edinburgh Trams - Telephone Conference : STRICTLY PRIVATE AND CONFIDENTIAL AND FOISA EXEMPT

Dear Malcolm, Mike, Andy, Willie

I promised Mike that I would send something out in advance of the telephone conference on Friday for you to digest and bring you up to speed with current status and progress within the project. This should set the scene for our conversation on Friday.

The great thing about this project is that you don't have to wait long for another critical moment in the life of the project to come along; a time, or a set of circumstances where the whole future of the project hangs in the balance. So what do we have to do now!

We have been given a very clear steer and a very clear deadline by the board (TPB meeting on 10th March 2010), and nothing (e.g. concerns about resources, weekends etc) should now prevent us from delivering against this deadline. We need to decide on the future of this project and therefore the future TIE in the next 7 weeks.

So what do we need to do.

Our objective is to report to the board on 10th March with our recommendations as to the best way forward for this project.

We have three options which need to be explored and, complete with analysis and recommendations as to the best option, be presented. We will not get an extension to this deadline.

In the meantime our strategy of being 'commercially aggressive' is to continue as a pre-cursor to all of the three options.

The three options are

- Formal termination of the whole BSC contract (definitely the least attractive option)
- Negotiating BB out of the consortium (this is definitely the current favourite of the board but we must be balanced in our assessment)
- Carrying on slugging it out with BB in an uneasy marriage (the status quo)

To achieve this we need to be disciplined and organised, transparent to our board members and shareholders, focussed, determined and credible. There are therefore some general conditions that need to be met in order for us to be successful in this task.

These are :

- Upfront agreement by all key parties on the strategy, objectives and timescales
- Documentation of that strategy to support monitoring and adherence and as a baseline to deal with revised circumstances that may emerge
- Work stream definition including objectives and execution scheduling
- Clearly defined individual responsibilities for leadership of the project, the work streams and individual pieces of work
- Adequate resourcing of every work stream, and delegation wherever possible

- Good succinct documentation of key areas as work proceeds for record-keeping and review by other parties
- Tight project management ; and
- Planned and clear communication with stakeholders

Agreed work streams, each of which have a nominated leader

(1) Audit processes & Design issues (Steven)

- Definition / execution, programming and resourcing of audits on the 3 identified areas
- Consideration of any others necessary
- BDDI – IFC responsibility and cost implications
- Continuing negotiations and use of DRPs to improve clarity of overall financial outcome
- Addressing the “no BDDI” issue

(2) Programme certainty (Susan)

- Management of process aimed at defining a revised programme
- Negotiating prolongation, concurrency arguments and acceleration
- Impact of MUDFA including BSC’s DRP
- Implications of design issues and delay attribution
- The “6+9” deal and approach to LDs

(3) OSSA (Alastair)

- Tactical considerations
- Rolling negotiation of OSSA
- Possible part-OSSA (say Lothian Road–Haymarket)
- Assessment of amendment to Infraco contract rather than additional agreement
- Procurement considerations

(4) Application of contract mechanisms (Tony)

- Assessment of additional contract levers
- Preparation for litigation process

(5) Addressing the (pitch)fork in the road (Richard)

- Confirmation of the three options :
 - Continue with Infraco and make the contract work to deliver the tram in an acceptable timeframe and at acceptable cost, including assessment of phasing / truncation options
 - Exit BB and ditto, adding assessment of procurement implications
 - Termination of Infraco contract

Each option requires a documented set of actions to ensure that the right things are done and the right information produced to support analysis and decision on the optimum option and how it can best be executed. tie’s commercially assertive approach will reinforce each option’s likelihood of success, especially options 1 and 2. The work under work stream 4 especially needs to be directed toward these outcomes. Also important to address the optics of this to BSC.

A further subset of the work in each case, or possibly in one exercise, is to assess BB / BSC's preferred option.

(6) Maintaining progress (Frank)

- Continuation of physical works including the proposed off-street deal
- Communications and stakeholder support

(7) Financial analysis (Stewart)

- Of all options and issues, on a rolling basis, to help direct decision-making

(8) Stakeholder management & communications (Mandy)

All of the above will require careful and robust project management, which in turn has a resource requirement which needs to be addressed. In addition we need to agree governance and the following has been put in place:

- Level 1 – senior inner sanctum team, covering all work stream leaders and including project management leadership ; meets daily or very regularly to keep tight control on progress, interaction of work streams, emerging issues, resourcing issues. This would be chaired by the project manager.
- Level 2 – executive team above in level 1 plus external challenge, similar to the weekly gathering executed last year, though maybe with some different faces. Objective is to execute a weekly taking stock review across all work streams, with external and objective input, looking at adherence to the agreed strategy, progress and issues management, BSC reaction/behaviour, potential amendment to agreed strategy. CEC could be part of this or may wish to act through Level 3 and TPB.
- Level 3, 4 weekly meet of FCL
- Level 4 – fortnightly meet of selected Non exec directors
- Level 5 – TPB (and wider attendance including TEL) – meets 10 February and 10 March, February to be a progress report, March a recommendation.

I hope that this outlines where we find ourselves and the process we have put in place to move things on as directed by the TPB. On Friday we will discuss the part that we would like you to play in this. The **agenda** for the call on Friday is as follows:

- Introductions
- Overview of the above plan and questions from Peer Group
- Discussion on the 3 options
- Peer Group input and timescales (we will have all your availability and we hope to agree the date/times on the call)

However, in the meantime can you have a think about the 3 options outlined above – are there any others we should be considering?

Speak to you all on Friday.

Regards

Susan

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