
From: Dennis Murray
Sent: 11 February 2009 10:23
To: John Casserly; Graeme Barclay
Subject: FW: Delay and Disruption

Importance: High

Copy FYI
I will respond

Dennis

From: Hudson Steve [mailto:Steve.Hudson@carillionplc.com]
Sent: 08 February 2009 23:07
To: Dennis Murray; Steven Bell
Cc: Jim McEwan; Beattie Steve
Subject: RE: Delay and Disruption
Importance: High

Dennis et al,

As discussed briefly in the week, I am extremely disappointed by your response to our discussions last week. I am especially disappointed on behalf of the project team who have worked steadfastly in the pursuit of collaborative working. The choice you have made will, in my opinion, only result in further conflict and contention on the contract, thereby detracting from the project focus we all desire.

Back in November last year at our group meeting in City Point there was an acceptance that the project had not been managed and administered in accordance with the contract provisions. We explained that the circumstances of the contract had changed to such an extent that we felt that it was imperative to explore alternative ways of working within the contract if it was to be delivered within the agreed timescale. We concluded that there were currently two options for how we progressed from here; either strict contract compliance or a more pragmatic approach that better reflected the realities and challenges facing both parties and met the collective desire to expedite completion on the contract. **tie** stated preference for the latter and we confirmed that this was possible with a change to the evaluation model. This was recorded at the time in an e-mail whereby we clearly set out the principle of how this would work.

The meetings since then have been about agreeing a 'data set' and the process for regular agreement - indeed at our meeting in December you requested cost data. Only after pressing you last week have you now rejected the principle we outlined.

As we have previously stated, we did not enter into this contract as a funding partner and are not in a position to fund the project any further by proceeding at risk and, therefore, in the absence of an agreement to the contrary we will seek contractual compliance from **tie** and pursue an appropriate level of recovery via the provisions of the contract.

We will continue to work within the letter of the contract and support you as best we can we can. We also reiterate our commitment to collaborative working but from the extract of an e-mail included below we think we are alone in this regard.

Steven - I called you last week to discuss above. If you wish to discuss please call me soonest.

To: Beattie Steve
Cc: Clelland Gil N; Robinson Stuart
Subject: FW: Statements made by tie
Steve,

Further to our discussion of this morning following which you have asked me to confirm the main points of that meeting.

I would like to record that I am extremely concerned by statements made by **tie** employees. However, I am reluctant to identify the people who made the statements at this time because of the ramifications to the individuals involved. If identified, they will undoubtedly suffer at the hands of the people who are instigating this strategy.

- **tie** senior management have instructed their site inspectors to record **all** the negative points which can be used against Carillion relating to the works carried out on site. In fact, a tie employee stated that although he does not agree with this course of action, he advised, that he must comply as he is frightened of losing his job.
- A **tie** employee stated that due to the increased amount of Technical Queries which are being raised, **tie** are actively pursuing a **divide & conquer strategy** which involves identifying weakness or failings in the Carillion team to engender a blame culture causing internal wrangling/disciplinary which will inevitably cause relationship problems.

In my opinion, it appears that if **tie** identify our shortcomings and keep us busy dealing with all the issues, their senior management team at City Point will not recognise the other failings of the project.

I am genuinely fearful for success of the project if we continue going forward in such a confrontational and fragmented way. Without good working relationships and trust, I think we will fail individually and collectively. It seems that the fundamental principle of "if we fail, tie fails" is either not fully recognised or understood.

Regards

Steve Hudson
Commercial Director
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From: Dennis Murray [mailto:Dennis.Murray@tie.ltd.uk]
Sent: Tuesday, February 03, 2009 3:36 PM
To: Hudson Steve; Beattie Steve
Cc: Steven Bell; Jim McEwan
Subject: Delay and Disruption

Steve,

Following on from our meeting on Thursday I would comment on the way forward regarding the assessment and agreement of any claims for delay and disruption for which **tie** may be responsible on the project.

As you are aware we set out to attempt to agree the base data that could be established as fact at the time work is carried out and could be used in future calculations.

On Thursday you reintroduced a way forward on a cost plus basis, a method which has been rejected by **tie** on several previous occasions. As discussed with you I have given it some further thought and I have to say that it is not a proposal that **tie** can accept, essentially for the same reasons that have been given to you before. The main reasons being that **tie** does not accept full responsibility for any delay nor does **tie** accept the complete risk transfer inherent in such a proposal.

It was accepted at previous meetings that we (tie/CUS) would jointly pursue a proper method for you to demonstrate the actual hours spent on each work operation and to properly allocate any hours spent on remedials etc. The more accurately the remedial/rework or any other demonstrable CUS issues could be dialled out by reference to actual hours the better in this regard.

It is necessary to go back to first principles in such a pursuit, which is to verify work activities using site records, produced as normal in such circumstances, as the basis. This process to date has failed principally due to the fact that CUS have been unable to demonstrate the actual hours spent on each work activity on any given date by direct reference to the first principles records. Several questions have been asked by **tie** for CUS to support their claims for actual hours worked and in the main these are unanswered.

Following discussions, **tie** remain unconvinced that the process used and the method of collating actual hours spent on activities is properly auditable (see my emails on 15/12/08 and 26/1/09) such as to give **tie** the confidence that hours noted on timesheets are actual hours worked and therefore could be used in a productivity calculation.

As discussed at a meeting in December and noted on **tie** emails referenced above there is a bit of confusion regarding actual hours. You appear to collate a standard set of hours for each operative which are not necessarily representative of actual hours worked on site and it has been explained that this is due to the fact that many are paid on a shift worked basis not an hours worked basis. This is apparently an agreement reached between you and your sub contractors. The hours set out in timesheets are therefore, by that definition, not actual and cannot be relied upon in a productivity calculation.

tie reiterate that there should be a process followed to allocate actual hours worked on site per operative suitably detailed such as to demonstrate remedial etc and this process and output can be accepted as base data by **tie** as the work progresses.

We need to get together to agree how such a simple and normal process can be followed (without turning it into a 'cottage industry') such that we can ultimately agree a base set of data going forward.

Regards
Dennis

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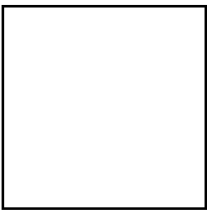
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