
From: Geoff Gilbert
Sent: 01 May 2008 18:26
To: Steven Bell
Cc: Dennis Murray
Subject: FW: Priorised Re-Set of Risk Balance
Attachments: Prioritised ReAF 01.05.08.doc

Steven

I had a general discussion with Andrew regarding potential trades for additional sums put on the table by BB. I think that the number one for me is that BBS take risk on the delivery of designs to programme - Andrew's number 2. Further risk on design quality I don't think adds much value. The other items are probably easier for BBS to give on but not a great value to tie. As I think you are considering the area of biggest benefit would BBS taking more risk on the Notified Departures. Those that come to mind as being of value are:-

1. Roads reconstruction - BBS to take responsibility and risk for delivering this within their current price.
2. The significant VE items (structures and their management team) - again they take an unqualified risk on this.
3. Construction support - they sort this out within their current price

As a suggestion I think that the negotiation plays out along the following lines:-

1. BBS have put themselves in a difficult position.
 1. To come with such a number at this stage indicates either a lack of control and management competence, which is worrying given the reliance we will be placing on BB in the future, or that the increase is completely without foundation - a try on
 2. £12m increase means they are no longer low bidder
2. The consequences of no longer being preferred bidder are dire for BB - tie will be obligated to go to the other bidder and to consider what action to take against BB. This has major reputational impacts for BB in Scotland and the UK.
3. To maintain preferred bidder status BBS must either withdraw the increase or offer significant improvements in the risks that they take on.
4. The £3.3m of cost transferred to Phase B is taken off the table - It was put forward at PB stage as a firm reduction at BBS risk.
5. That means that the figure is not £12m but £8.7m.
6. They have until 9am Tuesday morning to come back with either £12m withdrawn or a lower more credible lower figure that we will then negotiate around. Either the whole sum is off the table or BBS make significant risk take improvements in return some increase. This could enable BBS to justify why they should remain Preferred Bidder.

Appreciate that this is pretty aggressive, but to be successful and to set the right baseline going forward I think this is necessary. The risk take list demanded by tie should I think be the priorities that offer most value and set out in order of our priority i.e. the higher the priority the larger the additional amount we would accept. We can then bring the lower order ones into play if need be for lower cost increase.

This approach I think puts the pressure back on them with the fairly overt threat of reputational damage in the UK.

Hope this helps. Call me if you wish to discuss.

Regards

Geoff

From: Julie Smith
Sent: Thu 01/05/2008 16:22
To: Stewart McGarrity; Steven Bell; Dennis Murray; Graeme Bissett (external contact); Willie Gallagher; david_mackay@██████████; Alastair Richards - TEL; Susan Clark; Geoff Gilbert; Glover, Joanne; Horsley, Chris
Cc: Hoshal, Nikki; Fitchie, Andrew
Subject: Priorised Re-Set of Risk Balance

Dear All,

Please see attached from Andrew to reflect the discussion this afternoon and a short call with Geoff.

Kind regards

Julie

Julie Smith
PA to Susan Clark - Edinburgh Tram Deputy Project Director
PA to Steven Bell - Edinburgh Tram Project Director

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