
From: Matthew Crosse
Sent: 04 December 2007 19:08
To: Scott.McFadzen@bilfinger.de
Cc: Jim McEwan; Richard.Walker@bilfinger.co.uk; flynn.michael@siemens.com; Geoff Gilbert; David Crawley; Lindsay Murphy; Willie Gallagher; ralf.honeck@bilfinger.de; david.taylor@bilfinger.co.uk; Steven Bell; Susan Clark
Subject: Structures VE Disappointment
Attachments: 71204 summary of price delta 5 structures.xls

Scott

We held another structures VE session on Thursday. The fourth one since we started as preferred bidder. The minutes of the meeting are planned to be issued shortly together with an updated schedule which we went through in detail on a structure by structure basis. The meeting took some four hours but produced very little fruit with a very large majority of the structures being completely written-off as far as VE is concerned. This means that we will have singularly failed to achieve our VE targets in structures.

Because of the impact structures has on achievement of the £498m project budget, we have in parallel been looking at the delta between your bid price and our original budget. The summary analysis on 5 key structures is attached and was discussed with more detailed work sheets in the meeting. As you will see there is a significant disparity between our budget for structures and your price as submitted in August. Even after taking account of changed quantities and additional measured items there remains a large difference.

Since that time (August) the designs have been developed to a greater level of detail. This effectively reduces your level of pricing risk in this area. Therefore if we are to achieve our budget target for the Project of £498m, we need you to revisit your entire pricing strategy and offer a reduction to your rates and/or your risk allocations within the price. Please review your pricing and advise the saving arising from this reduction in risk.

Additionally there are a number of areas where there are major adverse differences between SDS estimates and your prices (e.g. pre-stressed concrete beams on Edinburgh Park a factor of 9 larger and worth some £2.2m in cost). We have asked your team to investigate these carefully to identify and advise savings opportunities. For example in the case of Edinburgh Park a change to the design to assist construction methodology should result in a significant saving.

I would welcome comments on this during the next couple of days and I have asked Jim McEwan to follow this up in the next structures VE meeting for Thursday – probably the last until your new prices are submitted. Your attendance then would be welcome.

Regards

Matthew

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