

## 1 Client Relations

### 1.1 *tie*

I have had a number of meetings with Willie Gallagher this week and the focus is now firmly on Council acceptance of *tie*'s final report on contract award recommendations. The CEO of the Council has now instructed that formal sign-off of any recommendation from *tie* that the Infraco Contract be awarded can only proceed with the agreement of full Council. An email sent by Willie to ourselves and BBS on Thursday sets the scene:-



C:\Documents and Settings\reynoldss\M

Novation meetings have continued with *tie* and BBS with three-party sessions on Tuesday, Wednesday and Thursday. The wording of the Draft Novation Agreement is now agreed and the only remaining action is for PB to populate the scope of work Appendix. This can be achieved by end Tuesday next week.

### 1.2 City of Edinburgh Council (CEC)

Nothing to report.

### 1.3 BBS

Richard Walker indicated to me on Friday that he has concerns over the presentation of the Infraco Contract deal to Council. Some weeks ago I had expressed my concerns that the price on the table from BBS did not align with the programme contained in the offer. For example, the price assumes that value engineering savings will be made whereas the programme has no allowance for the design and approvals time which would be required. I had suggested that *tie* would have to be careful in the form of presentation so as not to mislead CEC. Richard is now expressing (to me) similar concerns and has suggested that he will take this up with *tie* separately. To a large extent the current position is one of BBS's making where the offer is dependant upon a set of pricing assumptions which can be interpreted by the informed reader as a basis for price increase and programme prolongation. It may be that Richard is belatedly expressing worries which have more to do with his concern over working with *tie* as a client or may even be due to friction between Bilfinger Berger and Siemens. Whatever the reason I detect an air of uncertainty and last minute concern over whether BBS should be taking the job.

## 2 Commercial

### 2.1 Novation of the SDS Contract

#### 2.1.1 Scope of Services

- *tie* has now responded to the report issued by PB on misalignment between the Employer's Requirements and the SDS Design. The response is in the form of a set of draft instructions. PB has committed to turning round an estimate of cost and time impact against the instructions such that an agreement on scope can be included in the Novation Agreement next week.

- Despite PB having worked hard to issue two reports on the misalignment between the BBS Civils and Systems Offers and the SDS Design by 27 March **tie** only provided a draft response on 16 April on its conclusions from the PB assessments. The draft proved to be incomplete and PB asked that a better structured and more complete response be provided in the form of an instruction. That response has yet to be delivered. The lack of any clear instruction from **tie** on the actions required to align the BBS Offer and the SDS Design resulted in wide ranging debate at Thursday's novation meeting. Willie Gallagher was asked to attend the meeting and I had to explain that PB had set out its requirements for scope definition as long ago as 11 March and that the Misalignment Reports provided by PB had been a key part of developing an agreed scope of work to be undertaken under the Novation Agreement. The lack of response from **tie** has meant that uncertainty remains over construction scope of work. The proposed compromise to deal with the current circumstances was that a detailed design workshop be convened to define the scope to the level of detail required prior to construction. This would be a three party workshop with **tie** in attendance and exerting control over the process from a cost and programme impact point of view. With an early May target for contract award such a workshop would have to be held post novation. The alternative is to hold the workshop first and delay Infraco Contract award until such time as the scope of work, price, and programme are all defined more accurately. From PB's point of view, having issued the misalignment reports these can be incorporated in the Novation Agreement with a suitable form of words to define the arrangements for dealing with any design scope of work which may ultimately be required to achieve alignment.

### 2.1.2 Programme

- PB has now issued to **tie** an updated version of the SDS Design Programme. **tie** has also received an updated Construction Programme from BBS. PB has requested a copy of this new programme for review of design completion milestones versus construction start dates. Meanwhile **tie** is producing a revised composite master programme for inclusion in the Novation Agreement.

### 2.1.3 Scope of Separate Agreement with **tie**

- **tie** has now provided a set of sub-clauses outlining a proposed scope of direct services within the collateral warranty to be provided by PB in favour of **tie**. PB is to review and report back to **tie** on Monday next week.

### 2.1.4 Construction Support Proposal

- PB is to detail the proposal for the provision of construction support services to BBS for inclusion in the Novation Agreement as part of the scope of work Appendix. This is required by Tuesday next week.

### 2.1.5 Infraco Terms & Conditions

- **tie** has stated that the Infraco Contract will be final by end Tuesday next week.

### 2.1.6 Halcrow Collateral Warranty

- After persuasion from PB BBS has now withdrawn the request for a collateral warranty to be provided by Halcrow in favour of BBS. The wording of a collateral warranty from Halcrow in favour of **tie** is now being finalised but it has also been agreed that this is not required before novation.

## 2.2 Change Requests

The change request process continues to operate smoothly with Damian Sharp for *tie*. In light of the further delay to novation, the objective is now to have final agreement on any outstanding actions against the change control register by end Monday next week.

## 2.3 Claims for Prolongation

Negotiations on the Prolongation Claim for £598k finally took place on Tuesday. Agreement was reached on a settlement figure of £450k.

If novation slips beyond the current target of 06 May a further claim will be lodged against inefficient working for the PB Edinburgh Management Team.

## 2.4 Cash flow

Payment against the March AFP was received early in April as promised by *tie*.

## 3 Operations

### 3.1 Edinburgh Tram Network

Nothing further to report this week.

### 3.2 MUDFA

A close out meeting to define any residual MUDFA design activity is to be held on Tuesday next week. The final sub-section IFC packages are ready to be delivered to *tie*.

## 4 Other Issues

Nothing to report

## 5 Weekly Look-ahead

- Tuesday. Submission of the Novation Agreement Scope Definition Appendix from PB to *tie*.
- Wednesday. Submission by PB of a letter of confirmation of intent to sign the Novation Agreement following CEC approval on 01 May. (Letters also to be provided by Bilfinger Berger and Siemens of intent to sign the Infraco Contract).
- tba. Final account agreement with *tie*.

## 6 Timetable to Infraco Contract Award – *tie* Update

The schedule of key dates remains under review, with a date of 06 May as a latest target date for novation. This date could be as early as 01 May depending on Council sign-off.

- 24 April Final Report to Council from *tie*.
- 01 May Full Council Meeting
- 01 - 06 May Novation of the SDS Contract.
- 01 - 06 May Infraco contract award