

Edinburgh Tram SDS Contract – Weekly Report

1 Stakeholder Relations & Business Case

The Audit Scotland report on **tie** and the Tram & EARL Projects is to be completed this weekend in readiness for submission to Cabinet on 20 June. A decision by the SNP on how to proceed is expected by Wednesday 27 June, with room in the Parliamentary timetable for debate and conclusion prior to Recess from the end of business on Friday 29 June.

2 Client Relations

The meeting scheduled between Greg, me, Matthew Crosse and David Crawley went ahead as scheduled on Thursday afternoon. Geoff Gilbert had also been invited by Matthew to attend. On the Thursday morning the Tram Project Board, (TPB), had met and Matthew had delivered a brief at that meeting on SDS Contract progress, using the report I presented at last week's Design, Procurement, and Delivery, (DPD), Sub-committee meeting. I am assured that Matthew made clear the need for all Stakeholders to work together to deliver improvements in programme performance – rather than seeking to pin the blame for programme slippage entirely on PB.

As a result of the issues raised at the TPB Willie Gallagher decided to join our afternoon meeting and this gave Greg and me the opportunity to reiterate the problems faced by PB due to the lack of resolution on the significant number of outstanding critical issues. Willie picked up on the need for more pressure to be applied to the Stakeholders and David Crawley was tasked with preparing a memo for Willie to send to the decision makers within the Stakeholder bodies to spell out the need for urgent action. David has committed to have this memo available for Monday and has requested that I provide assistance with the wording.

Willie only joined the meeting for a short time so most of the discussion on programme slippage issues and other project management topics was conducted with Matthew and David.

David's view is that more needs to be done to make the Stakeholders aware of the real impact of delays in their decision making on the SDS programme. David and I have been working over the past week since the DPD to devise a simple graphical method of presentation which can be used to show the consequences of failure to resolve each of the Critical Issues on the reporting of key performance indicators. In my view, given that the Critical Issues initiative has now been running for four months, each of the Stakeholders should have been aware of the continuing delays to design definition and the reported programme slippages shouldn't have come as any surprise. Having said that it is clearly increasingly important from PB's point of view that the problems are resolved so I am working closely with David to support this initiative.

On the subject of the PB claim for prolongation Matthew had asked Geoff Gilbert to read through the documentation. Geoff provided a very brief overview of his thinking and told us that the Section outlining the contractual basis for claim had been passed to **tie** lawyers for an opinion. Matthew then raised the question of completion of the project and suggested that now the claim has been submitted the remaining activities should be executed in a "no-claims" environment. We made the point once more that completion of the contract could only proceed efficiently with resolution of the outstanding issues currently holding up detailed design. I pointed out that the prolongation claim as submitted covered the period to 09 April and that there had been a further two periods of slippage since then, hence PB would be submitting a supplementary claim. Matthew initially reacted with surprise but then conceded that he could understand the reasoning. The discussion then moved back to the absolute

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importance of removing the problems currently preventing completion of the design activities with the intent that no more claims for prolongation would then be needed.

Geoff Gilbert backed up the no-claims thinking with a suggestion that there may be a price to be paid to PB for entering into such an agreement. This then led to a debate on the status of any no-claims arrangement post novation of the SDS contract. Whether or not a no-claims agreement can be reached an internal PB action arising is now to start to look closely at the contractual requirements for novation with a view to limiting risk to PB. Novation as currently programmed is due March 2008.

The subject of payment was raised in light of the significant WIP value currently outstanding. Matthew declared himself prepared to review the payment profile but suggested that any amendments to provide a more acceptable framework for PB would be easier to implement once the ability to deliver improvements in performance against programme had been demonstrated.

The discussions at the meeting can be summed up as follows:-

- Whatever the formal definition of PB's role as Design Contractor there is a need for PB to work closely with **tie** on overall project management to put pressure on the Stakeholders to deliver the decisions necessary to unlock detailed design holds.
- PB must then meet its detailed design commitments such that real improvements can be demonstrated on programme progress.
- In this improved environment **tie** can be persuaded more readily to adopt a more positive approach to settlement of PB's prolongation claims and to modification of the payment profile in PB's favour.

3 Contract

Nothing more to report this week.

4 tie Master Programme Reprioritisation

The programmed date for selection of a Preferred Infracore Bidder has been brought forward three weeks from mid October to late September 2007.

5 Critical Issues

This week's special meeting to action clearance of the remaining Critical Issues was held on Thursday. Table 1 shows performance achieved in clearing the high, medium, and low design impact Issues since w/c 19 Feb. Table 2 shows current status by Section.

The analysis confirms the need for urgent action as described in the Client Relations report above to unlock the remaining items.

A significant factor in the continuing failure to close out all Critical Issues has to be the organisation of **tie**'s project management function – David Crawley himself, for example, is only part-time, averaging two days per week in Edinburgh. We now have two period's worth of data from which to judge the impact of David's assumption of control of the Critical Issues initiative and whilst early gains were made we now have a hard-core which demands

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sustained attention. If we assume that David is not going to be able to give that attention then I have to, (a), alert Matthew as **tie** Project Director to the problem, and, (b), spend more of my time working with the other parties. I have started to do this in earnest with the two organisations which currently could make most difference, viz CEC and TEL. Many of the remaining issues are to do with overall traffic management concerns, (CEC), and Lothian Buses operational conflicts, (TEL). Resolution of these issues would unlock the detailed design of the Roads through the City. This in turn would allow progress to resume on Track, Tramstops, Structures, and Overhead Lines. Both CEC and TEL are using the absence of results from the detailed traffic modelling exercise currently being applied to the design by CEC as a reason not to approve designs already submitted for road junctions.

Clearly the focus from PB's point of view is to ensure **tie** understands the programme impact from CEC /TEL's approach and to agree an alternative to completing the detailed design recognising that some changes may be required once the conclusions have been arrived at for the modelling exercise. Agreement that these costs should be at **tie**'s expense has been raised with Tony Glazebrook and he appears in agreement. On the basis that a substantial amount of time has been spent by PB working closely with CEC to address traffic management concerns – it is now one year on from the submission of the Preliminary Design – I am confident that the design in its current state has to be close to optimum so rework should be minimal.

In these circumstances one has to question the real thinking behind CEC's current stance and such questions always end up with the answer that Duncan Fraser as the CEC Representative on the TPB was the person responsible for the failed City Centre Traffic Management scheme from a few years back. With this background the suggestion is that Duncan does not have the self-confidence necessary to promote a "can-do" attitude within the Council. Whatever the reason, Duncan's current approach is far too cautious and this has to be changed by Mathew Crosse and his team if we are to proceed within the required timeframe.

As a member of the DPD it is relatively easy for me to engage with the Stakeholders to address tram project matters. Where PB definitely needs **tie** to improve its project management focus is in dealings with third party organisations, and as far as the resolution of the Critical Issues goes the key parties are BAA, Forth Ports, and Scottish Rugby Union, (SRU). Meetings have been scheduled over the next two weeks with Forth Ports and SRU and **tie** itself has committed to deal with the BAA interface with the EARL project which is at the centre of the problem at the Airport given the aspiration for an integrated transport interchange. All discussion on anything to do with EARL has been halted by **tie** until the end of June at the earliest whilst the Audit Scotland exercise is in progress.

6 Finance

6.1 Engineering Review of SDS Proposed Changes Meeting (Two weekly cycle)

No meeting this week. The next meeting is scheduled for Tuesday next week.

6.2 Financial Review of Historic Changes Meeting

The special meeting called for Friday 15 June to handover the review currently in progress with Geoff Gilbert and John McNicholls to Tony Glazebrook did not take place due to Geoff suddenly being called away on other commitments. The agenda will be taken forward to next Tuesday's Project Management meeting.

6.3 Commercial Review Meeting

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6.3.1 Prolongation Claim

Further to the report in Section 2 tie is to advise once the Audit Scotland exercise has been completed when more detailed review of the PB claim can take place.

7 Operations

A detailed analysis of current expenditure of effort has confirmed the result expected from the programme review that most of the time currently being booked to the project is against management rather than detailed design tasks. (The exception being depot design work which has been able to proceed). Management tasks include those being executed by the PB team in Edinburgh together with co-ordination work between the remote office Design Team Leaders and the Edinburgh-based Section Design Managers. From this it can be concluded that the cost at completion is being impacted by prolongation of the management team with the remaining work on detailed design activities effectively ring-fenced. This confirms the need for the supplementary prolongation claim covering the last two periods (and a good part of the current period) referred to above.

8 Other Issues

Nothing to report

9 Weekly Look-ahead

- Monday. Meeting with David Watters, Executive Director Rail of Halcrow. (Halcrow is responsible for the sub-contract to PB for Roads Design on the Tram Project).
- Tuesday. Tram Leadership Meeting, (Chair M Crosse)
- Wednesday. Meetings with Stakeholders to highlight the need for special actions to resolve outstanding issues which are preventing design completion
- Thursday. Weekly Critical Issues Meeting, (Chair D Crawley)

10 Immediate Challenges for the week ahead

10.1 From Last Week

- Initial negotiation of prolongation claim. (*Commenced*)

10.2 For Next Week

- Working with the Stakeholders and Third parties to unlock the issues inhibiting detailed design progress

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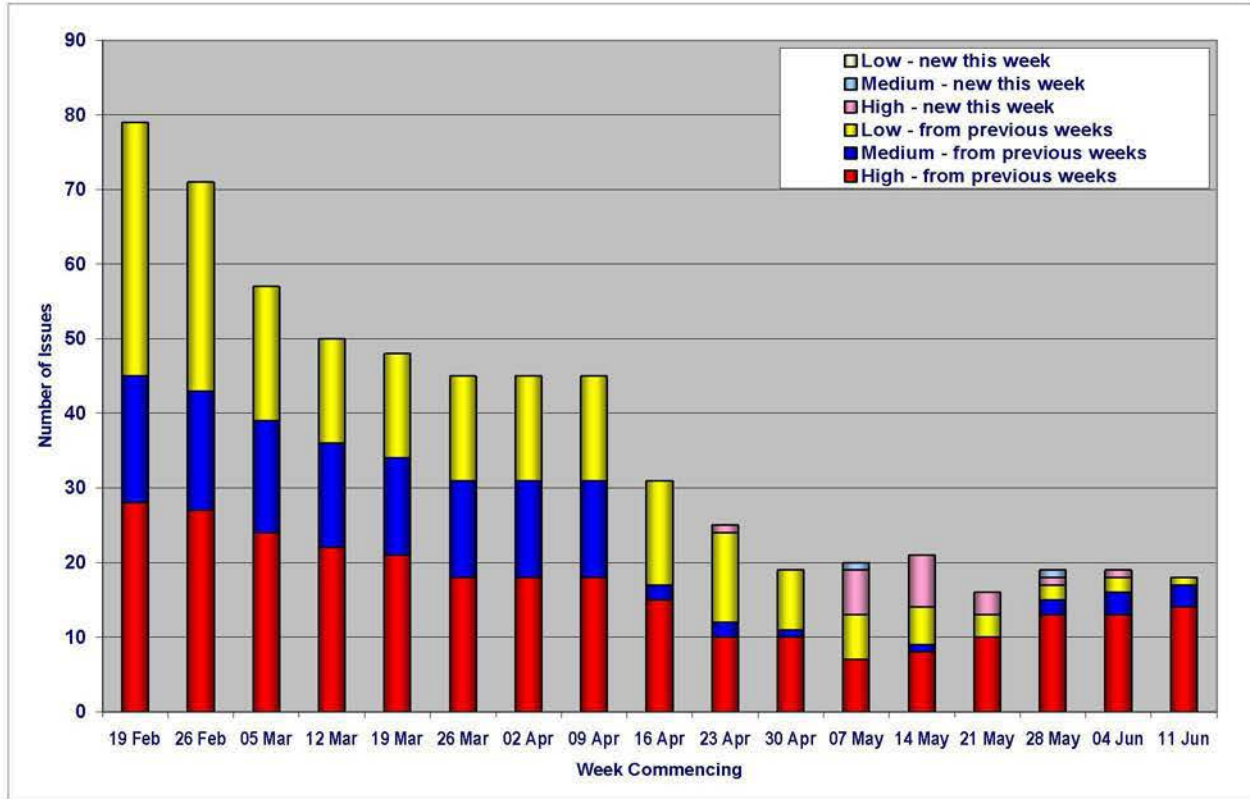


Table 1 Critical Issues Clearance Progress

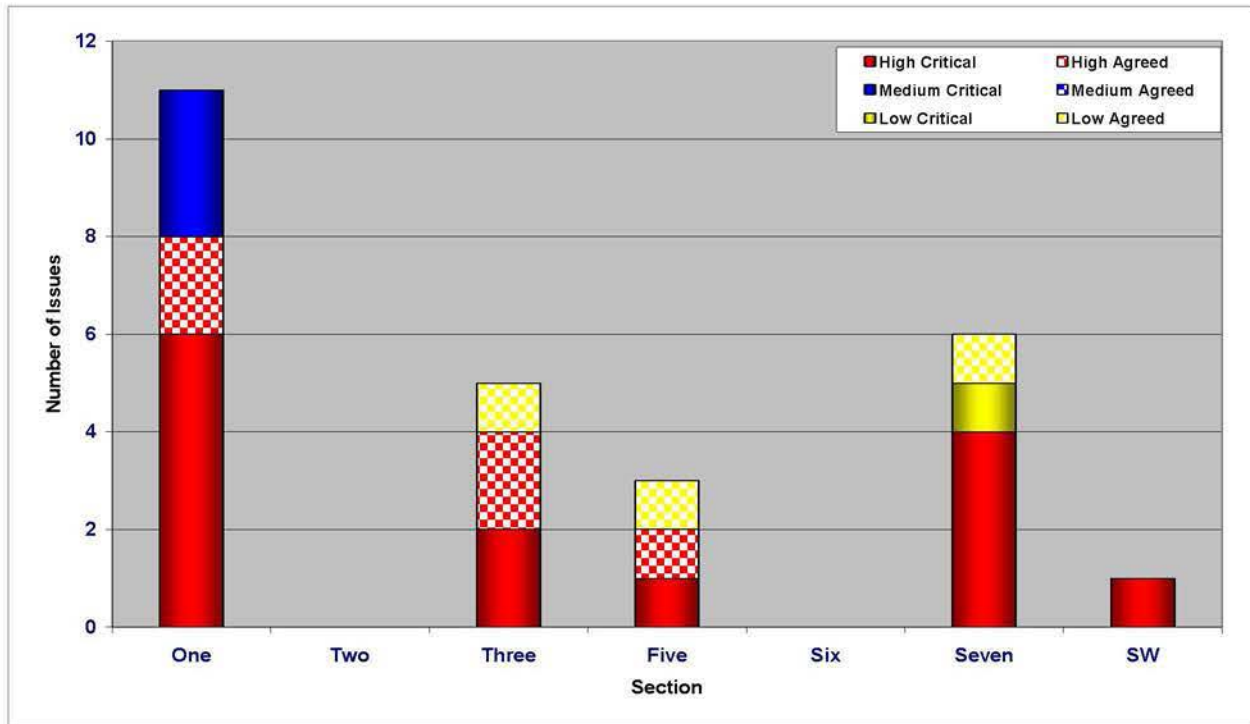


Table 2 Critical Issues Current Status by Design Impact & Section

(Solid bars show outstanding Issues. The hatched portions represent Issues for which agreement has been reached but written confirmation remains outstanding)