

Edinburgh Tram SDS Contract - Weekly Report

1 Client Relations & Business Case

Matthew Crosse and Steve Reynolds gave a presentation on the status of the project to the Tram Project Board on Tuesday 20 February. The presentation was based on the previous week's presentation to the Design, Procurement, & Delivery, (DPD), Sub-committee and also included content from the team-building event focused on the integrated management team approach to completion of the SDS detailed design scope. Board approval was sought for the proposed change to the design review process with the new approach relying more on PB self assurance and less on the time consuming independent review process employed to date. Board approval was granted and Matthew Crosse has now advised TSS of the intent.

As reported last week, TIE has appointed a new Engineering Director, Mr David Crawley. David will be working three days a week, with the other two days to be covered by Tony Glazebrook, a second new appointment, also with the title Engineering Director. It remains to be seen how effectively this shared approach to the role works especially as Matthew has presented the Engineering Director role as responsible for oversight of the PB SDS contract.

The adjudication of the Tramco bids by TIE continues with the intent to reduce the current list of four to two bids during March.

The negotiation of the Infraco bids is proceeding less smoothly, with a number of shortcomings evident in TIE's procurement strategy. It appears that meetings to date with the Bidders have not been minuted, and requests for information from the Bidders are being handled too reactively. This is likely to reduce the effectiveness of TIE's value engineering initiative which is considered essential to deliver an affordable best and final offer. The current programme envisages Consolidated Proposals (priced to reflect the detailed clarifications provided by TIE) being submitted by the two Bidders on 15 April

PB has this week provided some support at very short notice in clarification meetings arranged by TIE with one of the Bidders. PB has requested that future requests for support should be better planned with the opportunity to agree with TIE in advance the strategy to be employed in providing clarifications so as not to jeopardise the value engineering initiative.

On the question of scheme funding approval, this is now expected on 28 February. However, on the basis of current cost forecasts it is likely that work on utilities diversions for Phase 1B will be deferred. (The Business case had been compiled with the option to adopt a phased approach to construction but the decision now to defer utilities diversion work is new).

With debates over funding, problems with the Infraco negotiations, and issues likely to arise with the Tramco negotiations as a result of changes to tram length it is essential that PB secures a sound commercial position on this contract as soon as possible, and certainly by no later than end March.

2 Contract

The Milestone Completion Certificate for the Requirements Definition Phase dated 16 February 2007 has been received from TIE.

3 Programme

A day-long meeting was held on Thursday 22 February, chaired by David Crawley with the objective of defining "an achievable and aligned programme for the Tram Project" Other TIE

Date 23 Feb 2007

PBH00025993_0001

Edinburgh Tram SDS Contract - Weekly Report

attendees were Matthew Crosse, Geoff Gilbert (Procurement), Trudi Craggs, (Delivery), Tom Hickman, (Project Controls), Susan Clarke (Utilities Diversion). Jason Chandler and Steve Reynolds attended on behalf of PB.

The outcome of the meeting was a decision by Matthew Crosse to propose a five month delay to the programmed date for Financial Close of the Infraco contract, whilst maintaining a commitment to the "Trams for Christmas" (2010) deliverable for the scheme – but modifying that deliverable to trams in trial running rather than in revenue earning service. The TIE procurement view was that this proposal would be well received if it could be presented as de-risking the Infraco contract negotiations and providing greater certainty on outturn cost – with on-time completion being viewed as of secondary importance. David Crawley was not so comfortable with this approach, but ultimately supported it with Matthew Crosse clearly anxious to derive a worst case scenario at this stage in his tenure.

The meeting focused on Design, Approvals, Procurement, Utilities, and Value Engineering. The salient points from the discussion can be summarised thus:-

- The programme as currently presented cannot be delivered
- The Infraco Consolidated Bid milestone, (referred to above), is dependent upon the provision of detailed design information from SDS. (Principally roads and pavings levels and final alignment definition). The provision of this information has been delayed (due in large part to delay in resolution of the Critical Issues). In recognition of the delays incurred to date the Consolidated Bid milestone should be slipped by between six and eight weeks.
- Pressure is to be maintained on the resolution of the Critical Issues with the stakeholders such that the SDS deliverables can be completed. A further delay of between four and six weeks has been allowed for this exercise to conclude.
- The TIE Value Engineering initiative will introduce a delay of between four and eight weeks - and will likely impact the completion of the detailed design deliverables.
- TIE requires more float to ensure satisfactory negotiation of the Infraco contract. A delay of between eight and twelve weeks is envisaged.
- The utility diversion programme should be modified to align more closely with the deliverables from the SDS contract.

TIE Procurement undertook to provide a prioritised list of Infraco information needs.

PB undertook to provide a prioritised programme for clearance of the remaining Critical Issues.

TIE were also reminded of the urgent need for realignment of the Employer's Requirements provided to the Infraco bidders and the system requirements on which the PB detailed design is being prepared. PB's commitment to provide TIE with a detailed analysis of the differences between the two had been met and the action is now with TIE to review and decide upon the actions required to resolve the discrepancies.

Additional changes are required to the Utility Diversion programme due to responses from the water and telecoms utilities that the planned 4 week turnaround of drawings cannot be achieved and that an eight week return period should be expected. The likely decision to defer spend on Phase 1B will also result in modifications to the utility diversion programme although all diversions are required to be complete by June 2008.

Although nothing was said at the meeting, PB has to anticipate TIE attempting to assign the blame for at least part of the proposed delay to perceived underperformance on PB's part. This places yet more emphasis on working closely with the client to improve understanding

Date 23 Feb 2007

PBH00025993_0002

Edinburgh Tram SDS Contract - Weekly Report

of the complexities of the design process and its dependence on other activities. Increased effort will now also be applied to progressing the change control process and securing agreement to outstanding variations – particularly those due to delay by others.

Four Critical Issues were cleared for final design at the weekly meeting held on 23 Feb and attended by Jason Chandler and Scott Ney for PB.:-

- Section 1A - Forth Ports Developments
- Section 1A - Two bridges on Ocean Drive
- Scheme-wide - Building Fixings

4 Finance

The change control meetings held this week have focused on securing agreement with TIE on the level of supporting information required before sanction can be obtained on a number of priority v/os. A response from the client on three high value v/os is expected on Tuesday 27 February. An intensive exercise is in progress to introduce better and more timely control of the whole change control process.

5 Operations

Following recent changes in the TIE organisation PB requires clarification of the new client organisation structure with roles and responsibilities redefined.

6 Other Issues

Frank Jasen is still working on the Report into his investigation of the Edinburgh Project Controls function. The draft Report will be issued today.

7 Weekly Look-ahead

- Tuesday. Tram Leadership Meeting. TIE weekly meeting chaired by Matthew Crosse with SCR in attendance
- Tuesday & Thursday. Change Control meetings
- Tuesday. Meeting with Halcrow to review the conduct of the SDS sub-contract
- Wednesday. Expected receipt of notification of approval of scheme funding.

8 Challenges

- Clearance of the Critical Issues
- Resource planning in light of the proposed programme slippage
- Improving the change control process
- Securing agreement with TIE on PB prolongation costs
- Agreement with TIE of the role to be played by PB during the Infraco Contract negotiations to BAFO.
- Maintaining strong management of the Halcrow sub-contract management to completion
- Preparing the contract framework in anticipation of the novation of the SDS contract.

Date 23 Feb 2007

PBH00025993_0003