

Edinburgh Tram SDS Contract - Weekly Report

1 Stakeholder Relations & Business Case

We have been advised that Willie Gallagher is in discussion with the SNP (the party strongly opposed to the Tram Scheme) apparently with a view to addressing key issues ahead of the likely strengthening of the SNP in the new Parliament post 03 May. It has been suggested that Willie is keen to explain delays to programme as linked to these (and other) political discussions. The revised programme is currently scheduled for wider communication at the next Tram Board to be held 17 May.

2 Client Relations

I have focused this week on working with Matthew Crosse to support his presentation to the Tram Board. I have continued to work closely with David Crawley to foster the development of that relationship through substantial support to the Critical Issues resolution process. I am also spending time with Tony Glazebrook, whose recent appointment as Project Manager for TIE could provide us with a short “honeymoon” period if Tony’s recent observations on TIE’s historic failure to perform efficiently are anything to go by

3 Contract

3.1 General

3.2 Extension of Time

Thirty-two separate documents have now been prepared to support PB’s claim for extension of time. Each document addresses a specific issue and contains a timeline and explanatory narrative to provide the justification for the claim. A key objective has been to demonstrate that PB has been engaged in the provision of services additional to those envisaged at time of contract. This aligns with advice from Watson Burton that securing payment simply as a result of programme prolongation is not feasible. These documents will be reviewed with Watson Burton at the meeting scheduled for Monday 23 April.

A quantification of the additional effort incurred by the PB and Halcrow teams in delivering the additional services is being finalised and will also be debated at Monday’s meeting with Watson Burton. The approach to deriving this quantification has been to review individual’s diaries for the period from July 2006 to the present to determine an estimate of (management) time spent.

4 Programme

Work is continuing to prepare the information required to drive David Crawley’s “dashboard” summarising SDS performance against the programme schedule of deliverables. This is to be complete by the end of next week. In conjunction with this initiative I have invited David to observe PB’s conduct of design assurance with a visit to one of our design offices. Birmingham is David’s preference and the visit is to be arranged for next week or the week after. In recognition of the need to convince the City of Edinburgh Council stakeholder of the merits of changing from the current design assurance process to one dependent upon PB’s internal processes I have suggested to Matthew that Duncan Fraser, the CEC representative on the Tram Board, should also attend. Matthew has agreed to this suggestion – he is all too aware of the need to engage CEC more closely with the remaining works if the final Approvals and Consents process is to complete to programme. One of my aims clearly is to

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develop the PB /CEC relationship to the point where we can manage expectations so that our deliverables are viewed as compliant with the CEC needs.

5 Critical Issues

The second special meeting to action clearance of the remaining Critical Issues was held on Thursday. The frequency of these meetings has now been increased to weekly from fortnightly in recognition of the real improvements that have been achieved. Table 1 shows performance achieved in clearing the high, medium, and low design impact Issues since w/c 19 Feb, with the highlight being the confirmed clearance this week against a significant number of the Issues discussed at the first of the special meetings on 30 March. Table 2 shows current status by Section

6 Finance

6.1 Engineering Review of SDS Proposed Changes Meeting

Nothing to report – no meeting this week. The need for a meeting is now urgent and I will ensure this is picked up with David Crawley.

6.2 Financial Review of Historic Changes Meeting

Geoff Gilbert, Procurement Director, having been on leave this week there is no meeting on which to report, however plans are now in place for two days worth of substantial discussion on Thursday and Friday next week with John McNicholls leading for PB. The aim, as previously agreed, (see below), is to categorise the v/os into those which can be accepted; those which should be withdrawn; and those which are essentially in dispute.

6.3 Commercial Review Meeting

Friday's meeting went ahead with Matthew and me as the only attendees. This provided the opportunity not only to review outstanding commercial issues but also to look forward to the orderly completion of the programme. Matthew is keen to address the options for doing things differently in future because he recognises the changing nature of the scheme. He sees a need to work in a more integrated way with PB, (and with AMIS on the MUDFA contract), as essential to the delivery of a successful outcome. Hence, our discussion focused on drawing a line under activities to date and the possibility of adopting a revised approach more appropriate to the delivery of the reprioritised programme. This would entail redefinition of the resource profile to completion with Matthew also considering a modified contractual relationship, essentially based on PB providing services to an agreed quantum without an overly specific definition of the different components of the total package. One of Matthew's aims here is to remove the need for significant TIE effort for contract administration associated with the agreement of detailed changes against a rigid definition of scope. The suggestion is that PB should be able to deliver the remaining services at a fair margin for a redefined contract price in which TIE can have greater confidence.

As part of this change of approach Matthew is now proposing to shift his stance, (from my perception), on dealing with PB's commercial concerns with a view to securing agreement both on outstanding v/os and on the claim for costs associated with the extension-of-time. In line with recent thinking Matthew is keen to apply more TIE effort to identify which v/os should be cleared but has now added the suggestion that a settlement be offered on the core of v/os for which agreement cannot be reached. This would appear to be a shift in position from the previous "fixed-price all inclusive" stance and may reflect a growing appreciation

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that there is a valid case for recompense of PB for at least part of the unresolved v/o total. It may also be due to him now being better advised than previously with the introduction of Crawley and Glazebrook as experienced engineering professionals.

Looking forward, Matthew is also considering whether incentives can be introduced to facilitate optimum performance on the SDS contract. These incentives would be tied to delivery against the milestones agreed in the reprioritised programme, including the milestone target for novation of the SDS Contract. A further incentive could be introduced to reward value achieved by PB through more involvement in the value engineering exercise. I have been promoting a more active involvement by PB in the definition of value engineering initiatives partly as a balancing factor against the additional costs claims yet to be presented.

Our discussion closed with Matthew confident that Willie Gallagher would be very keen to work up an agreed incentives deal for completion of the SDS contract. Actions arising can be summarised as:-

- Categorisation of the historic v/os to facilitate agreement of groups of topics and to identify which should be classified for resolution as part of a final settlement figure.
- Presentation of the completed claim for extension of time
- Review of the schedule of deliverables to completion and agreement of the associated PB resource profile
- Review of the types of services to be provided by PB to completion and agreement of the associated PB resource profile (Clearly an opportunity for additional work).
- Preparation of an internal PB draft paper on the potential for, (and desirability of), introducing incentives against the works to completion of the SDS Contract
- Preparation of a schedule of topics to be addressed from a value engineering standpoint.

7 Operations

A significant event to report this week is the formal sign off by Tony Glazebrook of the Certificate for Completion of the Preliminary Design Phase.

8 Other Issues

Nothing to report.

9 Weekly Look-ahead

- Monday. Meeting with Watson Burton to discuss how best to present PB's claims in the context of the SDS Contract
- Thursday & Friday. Historic Change Control Review meetings
- Thursday. Critical Issues Special Meeting no 3. (David Crawley Chair)
- Friday. Weekly Commercial Review meeting. (Reynolds /Crosse)

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10 Immediate Challenges for the week ahead

Attention to the actions arising from the Commercial Review Meeting as reported in Section 6 above.

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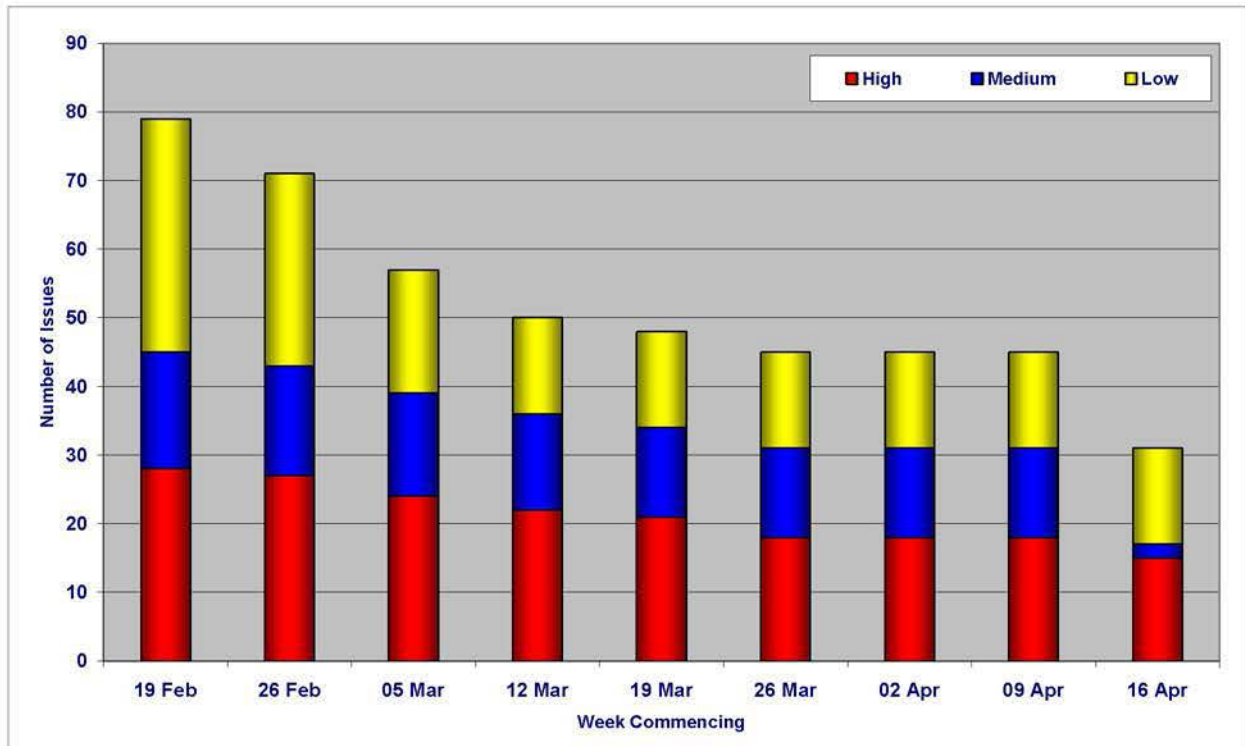


Table 1 Critical Issues Clearance Progress

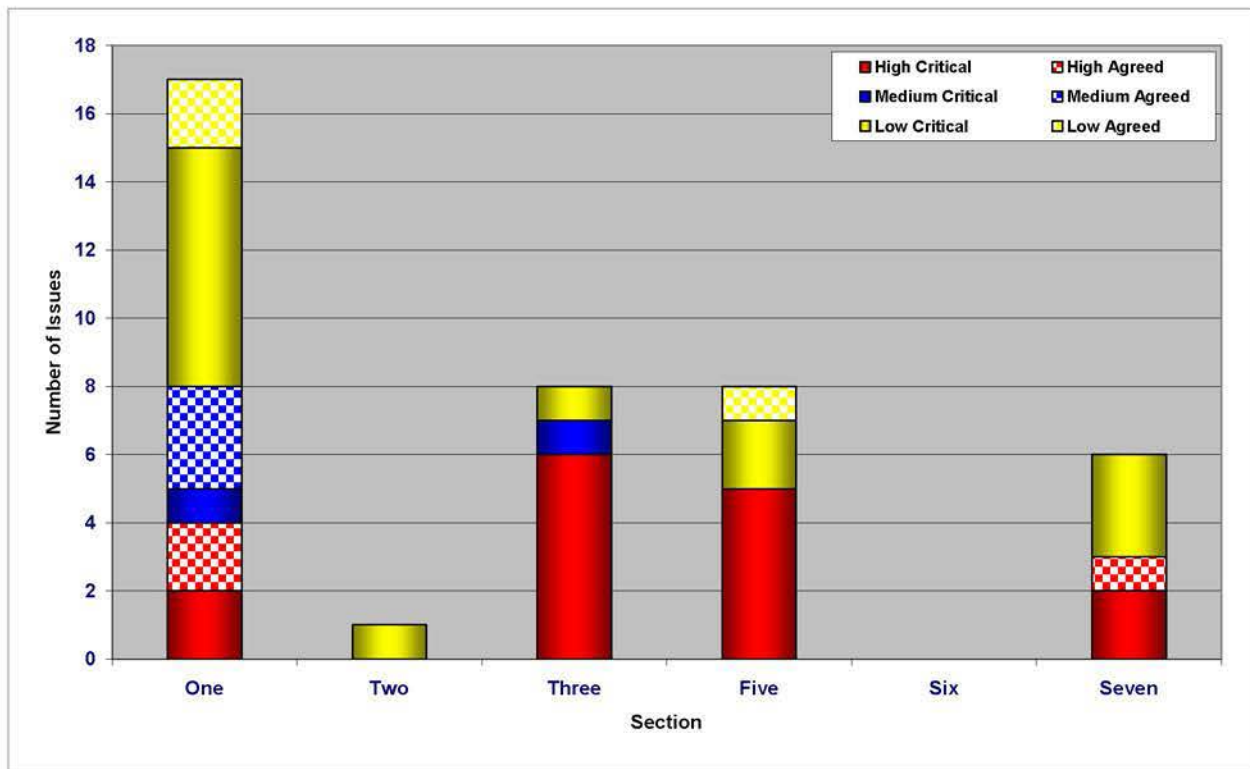


Table 2 Critical Issues Current Status by Design Impact & Section
 (Solid bars show outstanding Issues. The hatched portions represent Issues for which agreement has been reached but written confirmation remains outstanding)

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