

Edinburgh Tram SDS Contract - Weekly Report

1 Stakeholder Relations & Business Case

Nothing to report

2 Client Relations

The meeting between Keith Hawksworth and Willie Gallagher with Greg Ayres, Steve Reynolds, Matthew Crosse, and Steve Bell, (TIE), in attendance went ahead as scheduled on Tuesday.

3 Contract

3.1 General

Chris Atkins' review with Watson Burton has concluded that the time bars in the contract can be applied exactly as stated. It is clearly the case that PB has not administered the contract in recognition of this fact so the continuing negotiations on change control and prolongation have to be skilfully handled.

3.2 Extension of Time

Following last week's report the preparation of a claim for extension of time has been continuing although previous suggestions of a strong case against delayed TIE response to the submission of the Preliminary Design appear to have been over-optimistic. In light of this a revised target of 13 April for the presentation of the claim framework to TIE has now been set. TIE has also confirmed its intent to prepare a counter claim for prolongation should PB continue along this route, although nothing has been forthcoming to define the substance of such a claim.

4 Programme

The revised and reprioritised programme remains to be completed by TIE. A key driver, the rephasing to defer all work associated with TIE Phase 1B, has now been confirmed. (The deferral due to the level of available funding being insufficient to implement both Phase 1A and Phase 1B at this time). Presentation of the revised programme at the next DPD meeting to be held on 10 April 2007 remains a target.

5 Critical Issues

An update on the status of the "Critical Issues" is provided as Table 2, with a trended chart of high, medium, and low design impact issues over the last seven weeks. I have not shown any Issues cleared this week, pending confirmation from the special meeting held on Thursday to address clearance of the highest impact issues from a design viewpoint. This (5 hour long) meeting went ahead with representatives from City of Edinburgh Council, (CEC), TIE, Transdev, (the Operator), and SDS. The meeting was chaired by David Crawley and covered all outstanding high impact issues. A constructive approach was adopted by all with the result that a common understanding of each of the high impact issues was achieved. Provisional decisions were reached on a number of Issues, and actions were also agreed for the remainder. The next meeting is scheduled for two weeks time at which point confirmation or otherwise of the clearance of many of the issues will be received.

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6 Finance

6.1 Change Control Meeting

This week's meeting addressed the following agenda:-

1. The change control request for additional costs arising from the adoption of the option featuring a Bridge Structure rather than an at-grade crossing on the access route to the depot.
2. The claim for additional costs arising from the adoption of the High Level Option at Baird Drive
3. The quantification of the change to run-time modelling scope
4. The quantification of the change to scope arising from the removal of the top section of the Line 1 loop

6.2 Baird Drive & the Depot Access Topics

The meeting proved to be something of a turning point for two reasons:-

- PB's strong case on the basis of the information available at tender for the change to a bridge structure on the access road to the depot
- PB's conclusive proof of the inaccuracy of the statement made at last week's meeting by Ailsa MacGregor that the Data Room had not been closed on 22 April 2005.

In response to this strong position TIE was forced to admit that whatever the evidence put forward for items 1 and 2 there could be no settlement due to the fact that the TIE Board had been informed in October 2006 that these issues had been resolved with no additional costs incurred.

Matthew is strongly of the opinion as reported previously that PB has an obligation to do whatever may be required to design the tram system given the fixed price nature of the contract. He presented an argument that whilst TIE /PB relationships have improved significantly over the last six weeks the TIE Board remains to be convinced that design deliverable dates will be achieved. He also suggested that the number of requests for change submitted by SDS over the last six weeks was of concern. Against this background Matthew suggested that any approach to the TIE Board which required previously closed positions to be reopened would be impossible – despite the fact that those positions clearly should not have been closed.

On a more reasonable note Matthew suggested that PB does indeed have justification for pursuing a claim for extension of time and he proposed that this be covered at the next meeting in this series to be held on Friday 13 April. I undertook to have the framework of the claim available for that time such that the detail of the submission can be agreed – very much in line with the spirit of Willie Gallagher's consideration of a global settlement of the historic change and prolongation matters.

6.2 Run-time Modelling

TIE having recently accepted the principle of this change request the issue remained one of quantum. Against a PB request for £56,940 TIE offered at the meeting a settlement of £30,000. I have taken this offer away for review

6.3 Scope Reduction due to the Removal of the Top Section of the Loop

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Both sides having accepted the principle of this change request a long time ago the issue remained one of quantum. Against a PB request for a negative variation of £700,000 TIE offered at the meeting a settlement of negative £800,000. I accepted this offer.

6.4 Topics for the next Meeting

In light of the positional statement set out by Matthew the agenda for the next change control meeting is subject to review. TIE has offered to review the historic cases on the Change Control register afresh and to indicate which can be agreed in principle. A meeting is to be convened on Thursday 12 April for this purpose.

6.5 Change Control Overview

An update on the status of the Change Control function is provided as Table 1, with trended charts by value and number for the change notices aged over the period of the contract.

7 Operations

Nothing to report.

8 Other Issues

Nothing to report.

9 Weekly Look-ahead

- Matthew Crosse on leave w/c 02 April
- Tuesday. Tram Leadership Meeting - cancelled..
- Friday. Historical Change Control Meeting - cancelled

10 Immediate Challenges for the week ahead

One top priority item this week:-

- Completion of the fully documented claim for extension-of-time

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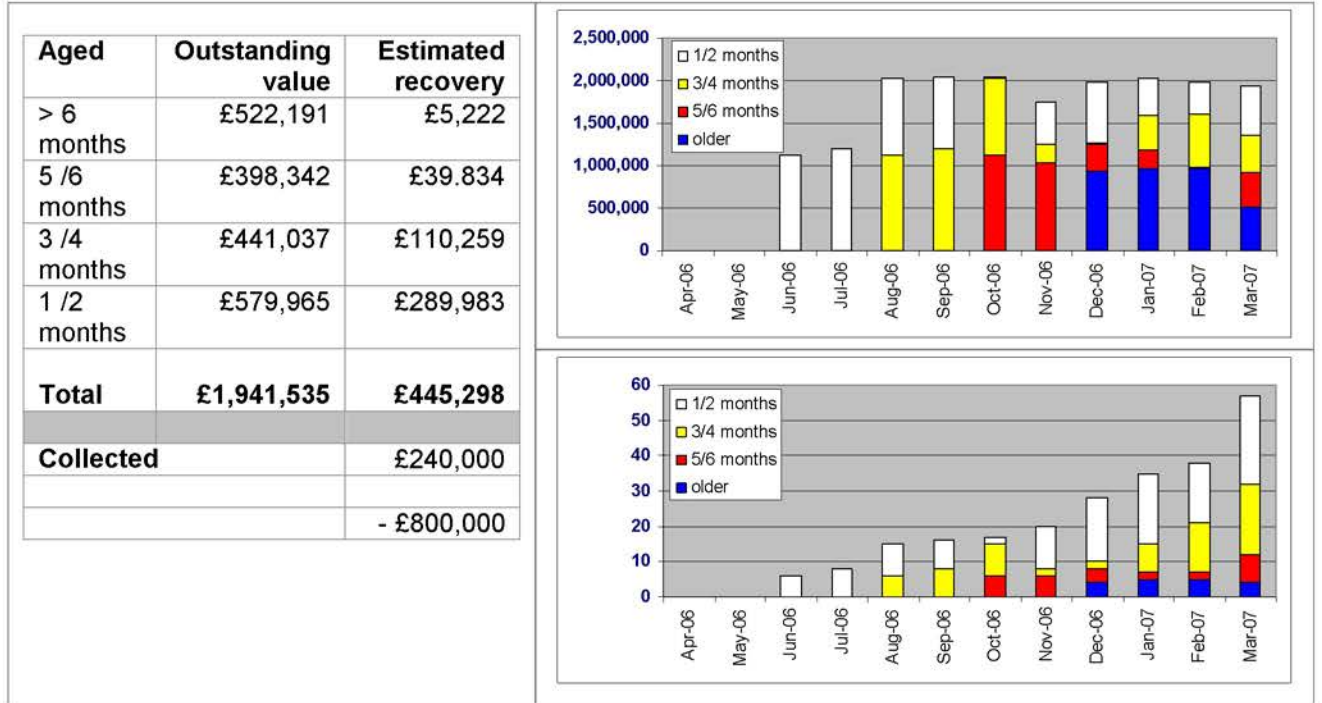


Table 1 Change Control Financial Analysis – Outstanding Change Requests Aged by Value (upper chart), and by Number (lower chart)

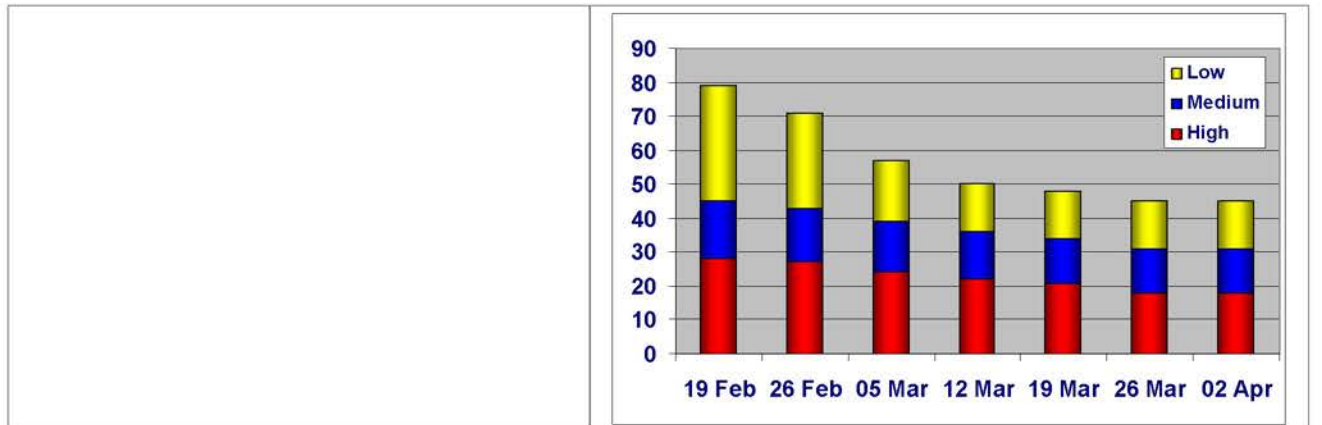


Table 2 Critical Issues Resolution Chart