

## Edinburgh Tram SDS Contract – Weekly Report

### **1 Stakeholder Relations & Business Case**

Scott Wilson and Halcrow in their capacity as contractors on the EARL project have now been instructed by tie to demobilise. The cancellation of the EARL project is almost certain and tie has been advised that no more funding will be forthcoming. The only possibility for continuation of the scheme would be via central government funding routed through Transport Scotland and that certainly won't happen in the lifetime of this Parliament. Hence, tie is now proceeding on the basis that the Tram Scheme will be completed as a stand-alone project with no future-proofing of the design for integration with EARL.

Infraco tender evaluation is continuing with increasing focus now on negotiated reductions in price. Some "value engineering" initiatives are being revisited, although in reality these are little more than cost reduction exercises with the emphasis on the depot and trackform. The option of revisiting the architectural design on some of the major structures is also being considered, although if this were taken up it would effectively take us back twelve months to the point before the Charrettes were conducted. Whether back-tracking to this extent would be acceptable to the planners is doubtful, but the fact that such measures are being looked at gives some idea of the seriousness of the current position on tender prices vs funding provision.

### **2 Client Relations**

Client relations this week have centred on the DPD meeting with Willie Gallagher in the Chair and the major Stakeholders in attendance. It was at the DPD meeting four weeks ago that Willie Gallagher expressed his frustration at the lack of progress and that resulted in the Stakeholders being told in no uncertain terms of the need to engage with the Critical Issues resolution initiative. Four weeks on with clear evidence of the success of the measures taken the meeting on Thursday was a much more comfortable session with Gallagher himself in a positive frame of mind.

As usual I had worked closely with David Crawley in the production of the DPD Report on SDS Contract performance and David presented a number of items where improvements in performance could be proven.

Matthew's umbrella Project Director's Report made reference to the claim lodged by PB and even when this item was presented to the meeting Gallagher chose to respond in an almost jovial fashion along the lines of comic surprise that such a claim had been tabled. This good humour extended throughout the meeting and whilst much remains to be done to secure agreement on payment there is evidence of a change in stance by tie to the point of recognition that some payment is due to PB.

### **3 Contract**

Nothing to report this week.

### **4 tie Master Programme Reprioritisation**

A presentation was given by Geoff Gilbert to the DPD on the revised master programme, with the date for Infraco Contract award confirmed as January 2008. Geoff made reference in his presentation to the "Protocol" which he has been working on with a view to securing sign-up by all Parties to working together to achieve the revised programme. Geoff has presented me with several versions of the proposed Protocol over the last four weeks, none

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of which I have been prepared to sign. Events had moved on to the point last week where Geoff felt he had a final draft form of words and at that point I asked Grant Smallhorn to become involved in reviewing the proposed document. I passed a set of revisions back to Geoff on Monday and the debate is continuing as to the real objectives of the Protocol; its standing in the context of the SDS Contract; and PB's stance on not being able to sign up to anything which could be interpreted as introducing a "time-of-the-essence" responsibility. Geoff now understands the stance I am taking and I believe that the focus on the Stakeholders through the unlocking of the Critical Issues over the last four weeks has made Geoff realise that the Protocol should genuinely be aimed at all Parties (a month ago I believe Geoff was firmly of the opinion that PB should be held accountable for all delays and his intent in developing the Protocol was to drive this home). The Protocol as it currently reads with Geoff's latest draft is reproduced here as Attachment 1.

### **5 Critical Issues**

This week's 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. The Critical Issues special initiative can now be considered complete so this is the last report featuring the clearance table. Future reports will deal with any noteworthy issues as they arise. The two remaining items on the Register are:-

- One in Section 1A awaiting information from Forth Ports
- One in Section 5A due to the continuing delay in CEC and the Scottish Rugby Union reaching agreement on land proposals

The formal instruction received from tie to proceed with the design following the clearance of the large number of Critical Issues over the last two weeks contained some ambiguity on ownership of the risk that further rework may be required at junctions should the results of any future traffic modelling be unacceptable to CEC. As already reported, my stance had been that with the refinement of the Preliminary Design over a twelve month period what was now on table should be considered optimum. On this basis, even if potential problems were identified from the modelling runs the only feasible approach would be to deal with these by means other than changing the Tram design. This had been accepted so when the Instruction was received and found to contain a note to the effect that PB would still be liable for any rework I responded to David Crawley and secured his written agreement that all such risk remains with tie. Finally, then, we are now at the point where the barriers to completing the detailed design have been removed and should it subsequently be decided to introduce changes to address traffic modelling concerns these will be to tie's account. The point which I also made very strongly to do with the real risk being further delay to programme – to the point where the scheme would be in jeopardy - has also been accepted by all parties and reinforced by Willie Gallagher at this week's DPD. As recently as one month ago that wouldn't have happened.

### **6 Finance**

#### **6.1 Change Control**

##### **6.1.1 Engineering Review of SDS Proposed Changes Meeting (Two weekly cycle)**

Review of current change requests is now a standing item on Tony Glazebrook's SDS Project Management Meeting Agenda. This week's meeting addressed a number of requests in the objective fashion to which we have now become accustomed. These will be

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reported on the period financial review summary. It is now clear that change control process is working smoothly and that PB Change Requests are being addressed in a fair and reasonable fashion. This is a significant change from three months ago.

### **6.1.2 Financial Review of Historic Changes Meeting**

The feedback from tie which had been expected to be delivered this week on the remaining Historic Changes was not forthcoming. The feedback should now be provided at the next Project Management Meeting on Tuesday 17 July.

## **6.2 Claims**

### **6.2.1 Prolongation Claim**

Tie has now provided a response within the five day window on the claim for additional management and supervision services arising from the prolongation of the programme. The letter is reproduced as attachment 2.

### **6.2.2 Prolongation Claim Supplement**

There has been no response on the specific topic of the supplementary claim. I believe the intent is that the main and supplementary claims will be addressed by tie as a composite claim.

## **6.3 Cashflow**

I have had one informal discussion with Matthew this week on the subject of the request for an on-account payment. Mathew has requested a few more days to compose a response, stating that he needs to consult other members of the Tram Board. However, Matthew did suggest that tie is "minded to pay a sum of £3m", although with caveats. Matthew is considering linking payment to signing of the programme "Protocol" referred to above and also to achievement of dates on the current schedule of MUDFA design deliverables. He has asked me not to communicate these thoughts widely while he composes a consistent statement. I shall work with Matthew next week to arrive at something more concrete.

## **7 Operations**

### **7.1 Programme Performance**

The report on progress provided at this week's DPD centred on the "dashboard" of deliverables achieved with reference to Version 14 of the SDS programme dated 09 April 2007. We are now at Version 16 and unsurprisingly since a large number of Critical Issues were still outstanding through the period progress at V16 was behind that planned at V14. However, the underperformance V16 vs V15 is less than had been the case at V15 vs V14. As reported above, this improvement was highlighted at DPD by David Crawley. Clearly now that the Critical Issues have been unlocked the challenge is to deliver the remaining works in line with expectations. A special meeting has been called for Wednesday next week to build on communications sent out this week to the Design Team Leaders to ensure all concerned are aligned with the strategy to complete the contract.

The Dashboard is included as Table 2.

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### 7.2 Halcrow

I have now received assurances from Halcrow's Executive Director, David Watters, to the effect that resourcing will be increased to ensure compliance with the design deliverables schedule. David has informed me that he considers the failures over the last two weeks to be due to lack of management rather than outright understaffing and has introduced a new manager for the Halcrow project. In addition a new Halcrow Design Team Leader is to be appointed. David also recognises that Halcrow's quality control systems have failed, not just in relation to drawing checking, but also in the area of pro-forma approval of proposed designs by the Utility Companies.

Keeping pressure on Halcrow to ensure the upcoming milestones are achieved is now a very high priority and will be addressed in detail at a meeting next Tuesday morning and weekly thereafter.

### 8 Other Issues

Tie as an organisation is to proceed with restructuring plans aimed at delivering a smaller organisation and I have been told confidentially that an announcement is to be made next Tuesday on the redundancies which will be required to achieve this goal.

### 9 Weekly Look-ahead

- Tuesday. Halcrow Design Review Meeting
- Tuesday. Tram Project Board meeting.
- Wednesday. PB Design Team Leader collective review
- Friday. Weekly Critical Issues Meeting, (Chair D Crawley)

### 10 Immediate Challenges for the week ahead

#### 10.1 From Last Week

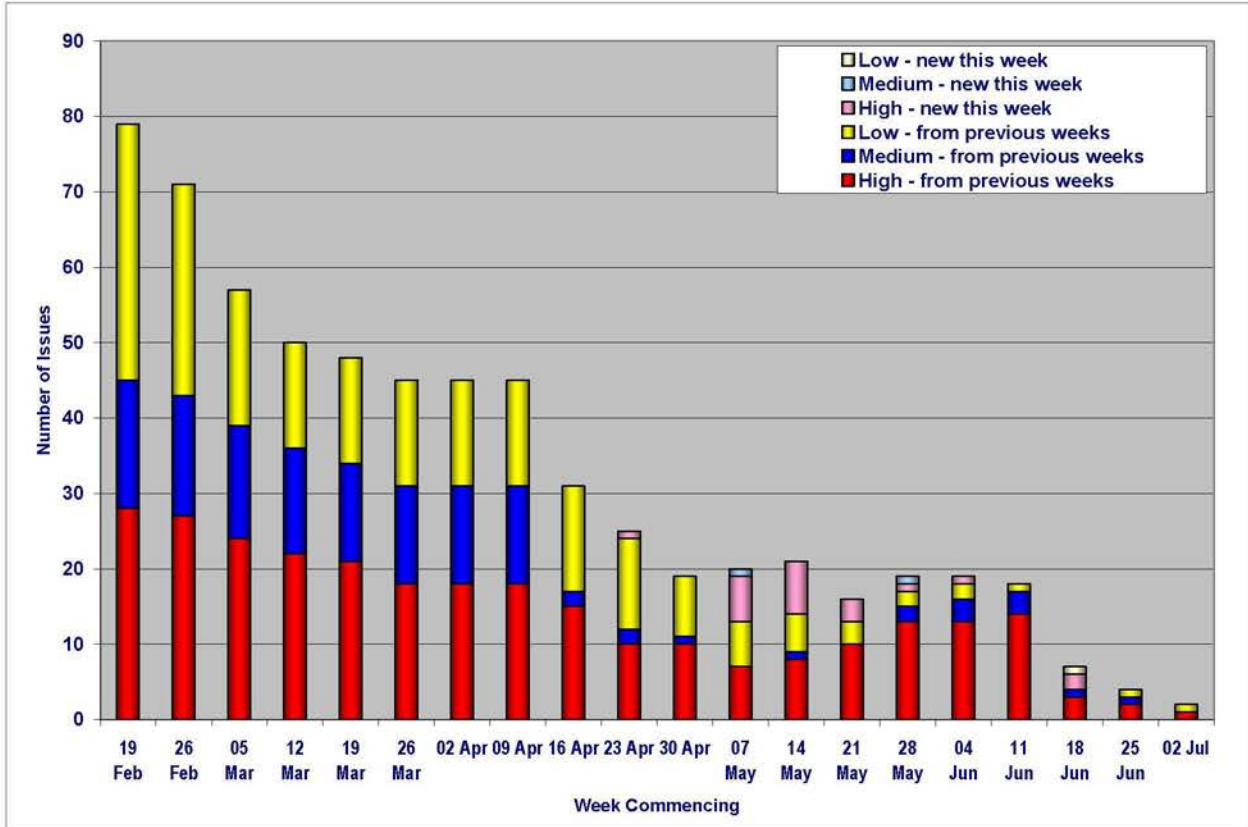
- Remobilisation of the design teams following the instructions resulting from unlocking the Critical Issues. (*started*)
- A detailed review of the MUDFA programme and priorities for delivery of the design packages. (With Halcrow). (*started*)

#### 10.2 For Next Week

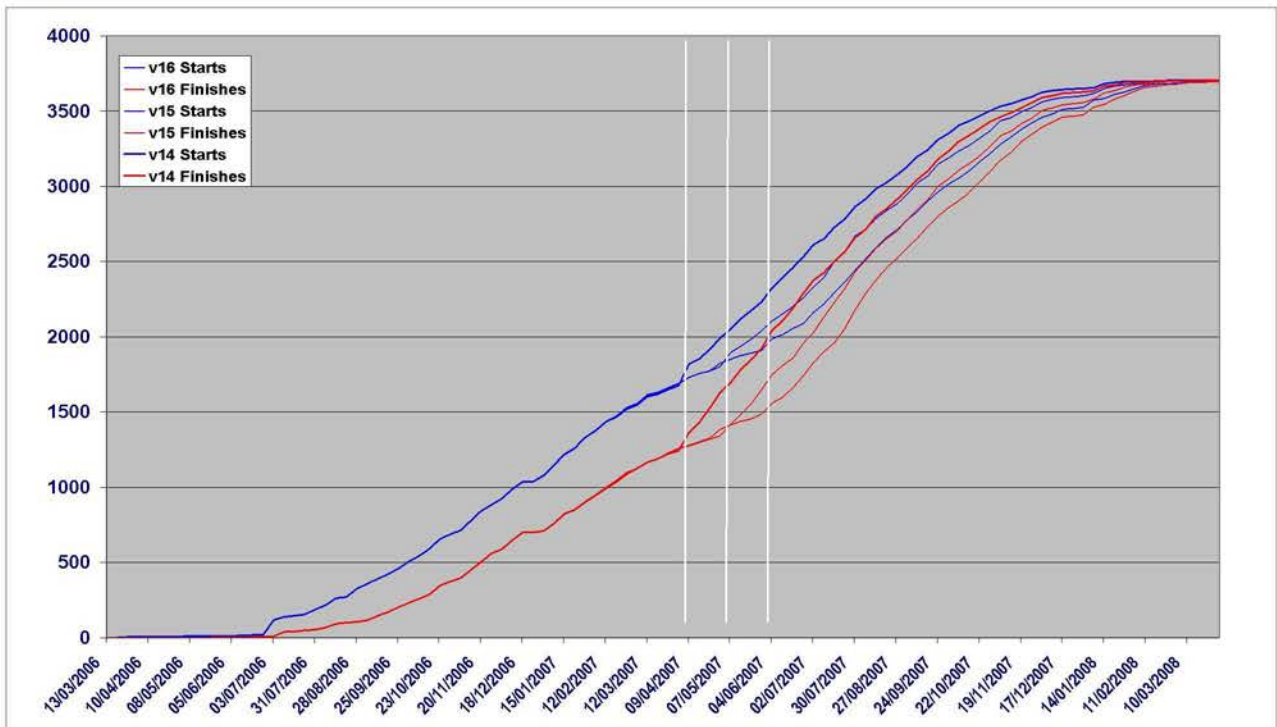
- Redefinition of PB programme to completion with complete buy-in from the DTLs
- Agreement on dates for negotiation of the PB claims with tie.



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**Table 1 Critical Issues Clearance Progress**



**Table 2 Programme Performance Dashboard**

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### **Attachment 1 Programme “Protocol”**

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### **Attachment 2 Response on Prolongation Claim**

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