

Edinburgh Tram SDS Contract – Weekly Report

1 Client Relations

There was no weekly meeting with Willie Gallagher this week due to Willie being on leave.

The key meeting this week was on Wednesday with Matthew Crosse. This focused on all the remaining topics to be addressed with **tie** and BBS prior to concluding the Preferred Bidder assessment and arriving at a final offer price. BBS's Project Director was asked to join part of our meeting and as a result of a wide-ranging debate it was concluded that two topics require further investigation:- Earthworks Design and Trackform. BBS has raised questions on the level of detail provided by PB on Geotech and the issue boils down, as ever, to who carries ground condition risk. BBS is clearly attempting to put the risk on **tie** and **tie** is trying to minimise its exposure. Whilst there is no great surprise in any of this what is of greater importance is **tie**'s view of PB's role in relation to BBS.

Under the circumstances envisaged by the Business Case PB /SDS would have produced a complete, stakeholder-approved design well in advance of the Infraco contract being awarded. Clearly this is not the case and **tie** is now attempting to cloud the issue by suggesting that PB can be viewed as BBS' Designer. This was raised again at Wednesday's meeting and when I corrected this perception the BBS Project Director suggested that I should have sight of the terms and conditions proposed for the Infraco contract to identify any differences between BBS and PB expectations. I reminded Matthew that this is also a prerequisite ahead of novation and Matthew committed to the release of the information to PB by the end of November. At that point we will have to take a view and probably be required to defend our contractual position. In my view it is likely that two issues will have to be addressed:-

- For the "Systems" design components the fact that BBS, not PB /SDS, is responsible for delivery of much of the detailed design against the reference principles developed by PB /SDS.
- For the "Infrastructure" design the fact that completion of the remaining packages will now be achieved with BBS rather than **tie** as the client. This is different from the assumptions presented in the PB bid as can clearly be derived from the bid programme.

The first of these points simply needs to be reinforced, although if **tie** has advised BBS incorrectly there could be a significant Infraco price impact. The second point needs to be dealt with as part of an agreement as to how best to complete the design packages outstanding beyond novation. The key difference from Business Case is that approval of these packages will not have been achieved before novation so **tie**'s (and CEC's) risk reduction philosophy can no longer be guaranteed.

In summary, from a client relations standpoint and in order to protect PB's position we need to prioritise:-

- completion of the outstanding investigations on Earthworks and Trackform
- Review of the Infraco T's & C's as part of the clarification of any scope gaps between completion of the SDS contract and commencement of the Infraco contract.

2 Commercial

2.1 Contract

We still await **tie**'s proposed form of heads of agreement for any additional contract to be drawn up between **tie** and PB following novation of the SDS contract.

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On the subject of novation it has now become clear that BBS does not have any great enthusiasm for novation as a contract strategy. (Reference a conversation with the BBS Project Director). It remains to be seen how this view may impact negotiations as we converge on a final position ahead of the 20 December CEC deadline. I would still not be surprised if a price reduction were offered by BBS conditional upon novation being deferred or abandoned.

2.2 Change Requests

Nothing to report.

2.3 Claim for Prolongation

I have now received from *tie* the final draft of the legal agreement against the PB claim. I aim to turn this round by the end of next week along with revising the corresponding documentation required to close the agreement between PB and Halcrow.

2.4 Cashflow

Nothing to report this week.

3 Operations

3.1 Detailed Design

We have now complied with the request for information on as-yet incomplete design packages to be provided to BBS. CDs containing some 200 pieces of documentation have been delivered. I have pointed out that this constitutes a set of additional deliverables and will take this up via the change control process.

3.2 MUDFA

A minor delay to the delivery of one package of IFC drawings has occurred due to delay in receipt of approval from Scottish Water. This is not seen as critical and this week's MUDFA Sub-committee meeting passed off without any significant problems for PB.

3.3 Procurement

BBS has now produced a summary of potential savings to be realised from VE for Structures. This follows the special visit arranged by PB to our design team in Birmingham. BBS has come up with a range of prices with the most probable outcome being a £500k reduction in price. This contrasts with *tie*'s initial aspirations for a £9m reduction due to savings in this area.

One very significant event occurred this week at the clarification meeting on Trackform design. BBS declared that the Trackform solution contained in the offer was to be withdrawn owing to the fact that it could not be constructed across major junctions in the timeframe required by the master programme. On this basis BBS has proposed an alternative solution. This is significant because the Trackform proposal was a key differentiator in the competition with Tramlines ahead of declaration of the Preferred Bidder. For BBS now to be proposing a change in this major component of the bid will require careful consideration by *tie* to avoid breaching competition rules

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4 Other Issues

Nothing to report

5 Weekly Look-ahead

- Tuesday. Internal PB meeting to define the Structures Detailed Design completion programme – the most significant set of packages from the overall programme to completion
- Tuesday. Dinner with BBS to review current status and progress against the clarification meeting targets
- Thursday. Weekly meeting with Willie Gallagher and SCR.
- Friday. Weekly critical issues meeting. (Chair D Crawley, *tie*).