



Edinburgh Tram Project

MUDFA Commercial Arrangements

19 April 2007

Tram Project Board

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MUDFA Procurement Strategy Objectives (Reminder)

Inherent risks in utility diversions work

- Records of utility companies are uncertain
- Extent of work required not fully known even after non invasive and invasive surveys
- Utility companies not negotiate with scheme delivery contractors until after tender

Therefore

- Undertake work well in advance of Infracore to avoid potential abortive costs of Infracore standing time due to over running utilities diversion works
- Procure separately and on basis of indicative work scopes with allowances for works by Statutory Utilities (connections and testing)



MUDFA Procurement Contract

Contract headlines

- A bespoke contract
- Remeasurement Contract – All work is remeasured based on the tendered rates and prices
- Contract signed in October 06 – AMIS mobilised shortly after
- Nominal Contract Sum of £39m – 25% preliminaries, 25% pricing for representative work items, 50% PC and Provisional sums
- Incorporates separate tie/CEC agreements with each Statutory Utility (2 remain unsigned pending resolution of issue with CEC)
- Statutory utilities work managed by MUDFA but Statutory Utilities performance is at tie risk

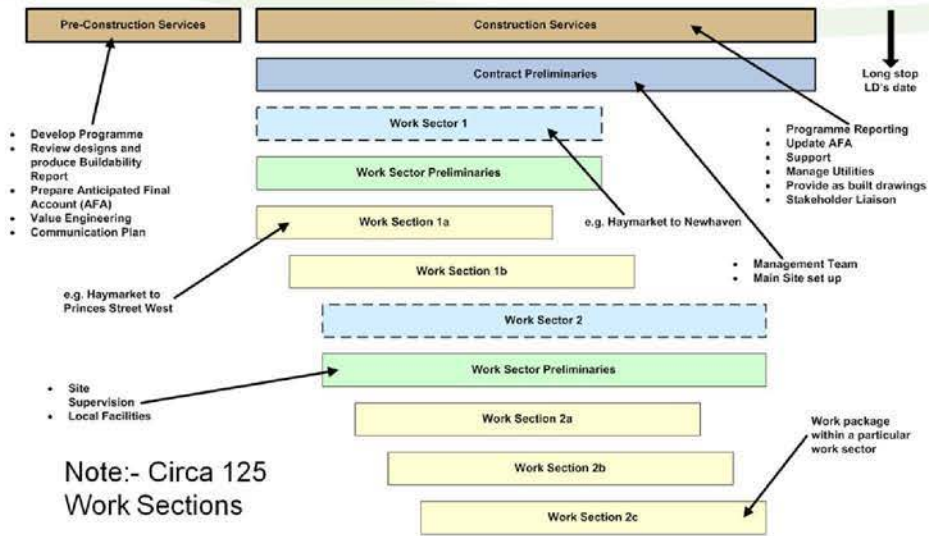
Right style of contract but arguably overly complex

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MUDFA Contract Structure (As originally envisaged)



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MUDFA Contract Issues and Proposed Resolution

Phases 1a and 1b to be segregated

- Define two separate sections, two separate 'long stop' dates and LDs, 1b is an option, separate incentivisation for each Phase

Rules for valuation of work not clear

- Normal contract re-measurement and valuation rules to be applied

Completion of pre construction phase – not realistic

- Not issue any Pre Construction Phase completion certificates
- Follow principles of undertaking Pre Construction Services for each Work Section
- Set 'Strategic Programme' now (under discussion) on best information we have
- Update the programme as Works Orders are committed for each Work Section, and for each Period to reflect progress

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MUDFA Contract Issues and Proposed Resolution

Incentivisation – Is not self financing and does cannot be implemented until Pre Construction phase completed for all work sections

- Apply at Work Section level against AFA for that Section
- Agree AFAs target for each Section prior to finalising Works Order
- Incentivisation payment 50% of any saving on AFA
- AFA target only moves for
 - Omissions of scope by tie
 - Additions to scope resulting from changes to underlying tram design
 - Third party interventions that are not due to contractor default
- Benefits – self financing and incentivises productivity at workforce

Impact of revised programme on Infraco section commencement dates



MUDFA Contract Issues and Their Resolution

Impact of MUDFA revised programme for Phase 1a on Infraco

Mitigate risk by

- Maintaining programme buffer between planned Infraco completion for each Work Section and Infraco Section start
- Divide Infraco commencement into a larger number of sections reflecting completion of MUDFA Work Sections

AMIS have agreed in principle to these changes and we are now formalising



MUDFA Cost Control

Have settled the format and structure for cost reporting

- Structure follows the contract structure – so report by Work Section (work package)
- Baselined at current estimate - £69.7m

Baseline is built up as:-

	Total	Ph 1a	Ph 1b
• MUDFA works	£45.9m	£38.5m	£0.0m
• Other Utility Works	£11.7m	£11.7m	£7.4m
• Sub Total	£57.6m	£50.2m	£7.4m
• Risk	£12.1m (21%)	£10.8m (21%)	£1.3m (17%)
• Total	£69.7m	£61m	£8.7m

Note:- Includes inflation allowance
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MUDFA Cost Control

Cost Reports are updated each Period

- Work Sections in Pre Construction Phase for:-
 - Emerging design
 - Changes in delivery programme
 - Agreement of estimate with Works Order
- Work Sections In Construction Phase
 - Changes from site
 - Remeasurement of completed work
 - Agreement of Final Account when all work in Section completed
- Changes authorised in accordance with Project Change Control Procedure
- Provides up to date Anticipated Final Costs based on latest information



MUDFA Cost Control

Current cost issues

- Sequential delivery of Phase 1b work - £2.2m
- Delay of main utility diversions to June – circa net £0.6m
 - Mitigated by utilising some MUDFA management and supervision overhead on IPR temp car park and Gogar Depot works
- Reduced level excavation budget transfer out of Infracore estimate - £3m (No net additional cost based on current estimates)