
From: Matthew Crosse
Sent: 03 May 2007 21:33
To: Colin McLauchlan
Subject: RE: Revised Draft

Importance: High
Sensitivity: Confidential

Colin

Thanks for this and I think I understand it now.

Main issues:

1. The DFBC budget on Tues 1st May has started going up (now we are through the financial year, stuff comes out the woodwork). Some costs were known about at Nov DFBC but were not included (or top sliced) for tactical reasons. These are out with my control. Some new stuff has also crept in (e.g. tie corporate increase £+2.5m). A large part of these are also out with my control. All these total circa £10m. This makes calibration very important in order to give us a fair chance of hitting the targets (this might be called an adjusted DBFC which would be £545m + x)
2. -£65k safety 'failure' hit means we owe you money if all other bonuses go pear shaped (not unlikely). What triggers worst case safety failure? Going to nil is more reasonable.
3. The schedule improvements should be based on 1 week not 2 week increments, else the target can't be ever met. Hitting programme 31 march will be a challenge! getting beyond that even more so given some of the mountains we have ahead!
4. For capex reductions on an adjusted DBFC, the increments of £10m are too coarse and total £50m on circa £2-300m worth of already lean capex programme; thus, in order be able to achieve the target, this magnitude of reduction is very unrealistic as it stands today. My version is based on £5m increments/ 20% step and is arguably more realistic (total £25M). On this basis, the bonus target is linked to our original VE + negotiation target of £28m.
5. Our focus on 1a (40%) should mean there might be a higher weighting for this compared to 1a+1b (30%). Say 50% for 1a and 20% for 1a+1b [still =70%]

To stress again we need to get the principles properly agreed before the bids are opened on 8th May.
Lets chat some how.

Matthew

PS All the team are pleased with the training programme

tie limited
Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD
P: +44 (0) 
F: +44 (0) 
M: +44 (0) 

E: matthew.crosse@tie.ltd.uk
W: www.tramsfordinburgh.com

From: Colin McLauchlan
Sent: 03 May 2007 18:39
To: Matthew Crosse
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Thoughts???

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Colin

Colin J McLauchlan
HR and Corporate Affairs Director

tie ltd
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

tel: +44 (0) 
fax: +44 (0) 
mobile: +44 (0) 
e-mail colin.mclauchlan@tie.ltd.uk
Web: www.tie.ltd.uk

For more information on Transport Edinburgh go to: www.transport-edinburgh.org.uk