
From: Richard Jeffrey
Sent: 16 September 2010 15:27
To: rush_aj@[REDACTED] david_mackay@[REDACTED] Steven Bell
Subject: FW: Proposal Reconciliation

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From: Richard Jeffrey
Sent: 16 September 2010 15:26
To: David.Darcy@civil.bilfinger.co.uk
Subject: Proposal Reconciliation

Dear David,

Thank you for the broad brush schedule you sent to the Chairman on Tuesday. I understand from Mr Rush that Mr Kitzman was unaware of the schedule you sent through, but it does illustrate what we feared – that there is a lack of understanding of not only our GMP proposal but also the mutually held aims of Project Carlisle as discussed and agreed between Mr Rush and Mr Kitzman.

For example we haven't placed any value against PSSA or SDS, we have set them aside for separate agreement. Nor have we only offered to pay £45 million for the Trams. These three issues alone reduce the difference you claim by around 30%. Nor does your analysis recognise that discussions between Ed Kitzman and Jim Molyneux had identified savings in your costs before we made our proposal, but which are not reflected in your schedule. Nor do your numbers reflect where changes are necessary to align scope. You have chosen to reflect £8 million for contamination risk, but nothing for the value engineering gain you may enjoy or further efficiency savings you will be able to make.

I would like to draw your attention to what you refer to as "BSC Rev PC positions".

Please consider and reflect on:

Bilfinger are claiming £46.2 million of Indirect Cost and risk against £127 million of direct costs – 33%. Please bear in mind that you are only managing sub-contractors who have their own supervision costed into the £127 million – and of course SDS.

Bilfinger are claiming £21 million of Overheads and Profit against £127 million of direct works – 16.5%

Bilfinger are claiming £215.3 million against an original price of c£85 million (including Newhaven Enabling Works)

Siemens are claiming £118.6 million against an original price of £67.4 million.

At least there are changes to be accounted for in Bilfinger's price whereas there are only nominal changes to Siemens.

SDS's claim for £16 million is the equivalent of over 65 people full time – you may also reflect on the overall cost of design for some £150 million of civil engineering works.

Suffice for us to say that the Carlisle Team have explained how and why they believe they arrived at a fair price and it is that fair price on which our proposal is based.

I am happy to be able to say that Ed and Tony appear to have worked out what needs to be done to make the terms of our GMP Scope acceptable to Infracore. The Carlisle team will have the necessary changes completed by the weekend for the Chairman and me to review where we go from here.

Regards

Richard

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