



1.1 CUS WORK SECTION PRELIMINARIES CLAIM [CUS claim 'value' £860,666]

1.1.1 CUS has provided no substantiation underlying its claims for additional preliminary costs. tie is currently paying CUS extended preliminaries for the extended contract period. CUS' claims therefore relate to alleged thickening of resources – but it provides no evidence of same (despite being requested to do so). Furthermore, 77% of the CUS claim relates to traffic management. This however is already claimed by CUS in its 'Change Control' section of the account. The present claim is therefore a straight duplication (which CUS openly accepts) and consequently should be omitted.

1.2 CUS WORK SECTION LABOUR AND PLANT CLAIMS

1.2.1 Notwithstanding the previously stated concerns regarding the basis and method of assessment adopted by CUS in the formulation of its claims (which concerns remain unresolved), below is a list of the key areas of concern / disagreement with the CUS 'model'.

1.2.2 Also included is an estimate of the sensitivity of the CUS model to changes to each of the 'factors' identified. This sensitivity is expressed as a percentage of the overall sum claimed (we have used the CUS model for Section 1C-03-01 as the basis for the sensitivity calculation). Note that the percentages listed below cannot be added together to arrive at an overall sensitivity percentage due to the complex interrelationship of the various 'factors'. Each 'sensitivity percentage' has been calculated individually against the original Section claim total, keeping all other 'factors' as per the original CUS claim. That is to say, the percentages are not calculated in combination with any other factor (since the number of potential permutations is endless).

- a) Labour rate: the increase in the hourly rate for labour (to £20.00/hr) does not appear to be a matter for which tie is responsible. Sensitivity percentage -15.96%.
- b) CUS original plant allowance: CUS has not reconciled the reduction in number of team days against its original plant allowance. Sensitivity percentage is up to -13.74% (although this is high).
- c) CUS claimed labour hours: there are a number of issues which CUS does not *appear* to have taken proper account of. Those issues include (but are not necessarily limited to): errors and/or anomalies identified between CUS various records; a reasonable allowance for BT remedials; Cable strikes; Water mains rectification works / retests; the effect on productivity of adverse weather; the reduction in productivity as a result of longer shift; the effect of BT remedials on other work.

Sensitivity percentage is up to -49.56% (although this is probably too high and is a subjective process as a result of the lack of production by CUS of any labour allocation records).



- d) Linear meterage: CUS claims the diversion meterage certified by tie during the period in question. As final account negotiations progress this may vary. See also previous concerns re same. We have not made any adjustments to this measurement yet.
- e) CUS Labour factor: essentially affected by c) above.
- f) Plant factor: CUS applies the alleged labour disruption factor directly to plant resources. This is considered to be unreasonable. CUS has declined to provide a plant analysis demonstrating extent of disruption (despite being requested to do so). Currently only previous plant analysis is available for earlier periods this showed disruption of circa 17%. Sensitivity percentage **-39.80%** (this could be higher if previous assessment of only 80% of planned resources committed by CUS).
- g) CUS reinstatement claim: CUS claims reinstatement as a percentage of the disrupted value. This is unreasonable. CUS has declined to provide an analysis demonstrating extent of disruption (despite being requested to do so). In addition, the claim is duplicated by recovery under measured section (which CUS has failed to reconcile). Sensitivity percentage **-10.99%** (i.e. if disruption claim for 8.07% is omitted; which still leaves recovery under measured section).
- h) Recovery under change control: CUS applies an alleged tender average of 47.82%; tie believes this to be too low and that 80% is more appropriate. This however will affect different sections to varying degrees depending on the extent and type of variations agreed. This is also sensitive to changes in final account amounts (discussions regarding which are ongoing). Sensitivity percentage **-2.37%** for section 1C-03-01 (but could be as high as -30.98% in section 1C-01-01 due to the high value and proportion of variations).
- i) Fluctuations: the principles surrounding this claim head are presently being discussed with tie. Sensitivity percentage **-6.54%**

1.2.3 Summary of individual sensitivity percentages (which will vary depending on extent of individual and cumulative application / permutations):-

Item Description	Pre Adjust	Post Adjust	Difference	%	Notes
1 Labour	1,534,268	1,289,412	-244,856	-15.96%	Omit labour increase
2 Plant allowance	1,534,268	1,323,536	-210,732	-13.74%	Reduce to 80%
3 Labour hour deductions	1,534,268	773,908	-760,360	-49.56%	Subjective process
4 Linear metreage	1,534,268				
5 Labour factor	1,534,268	Affected by the above			
6 Plant factor	1,534,268	923,577	-610,691	-39.80%	Allow 17% disruption
7 Reinstatement percentage	1,534,268	1,365,687	-168,581	-10.99%	If claim omitted
8 Change Control %age	1,534,268	1,497,871	-36,397	-2.37%	where changing to 80%
9 Fluctuations	1,534,268	1,433,896	-100,373	-6.54%	If omitted