

Joint Tram Project Board and tie Board

8th July 2009

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Chief Executive's quarterly review

**Strengths, weaknesses and the way forward
around 5 key themes**

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Build the Tram

- Some problems baked in from the beginning
 - Risk management strategy
 - Procurement strategy
 - Design/design management
 - Contractor appointment/behaviour
 - Optimistic estimates
- But causes for optimism
 - Dedicated professional team
 - Clear focus
 - MUDFA coming to an end
- Going forward
 - Focus on the solutions from here, not the past
 - Fully commit to the strategy agreed at the board
 - 'one family' approach to difficult issues

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Build the Team

- Weaknesses
 - Lack of clear HR governance
 - No recognisable people plan
 - Lack of strategic clarity and individual level
 - Silos and politics, not 'one team'
- Strengths
 - Dedicated people
 - Learning from mistakes
 - 'Fresh start'
- Way forward
 - Deploy the organisational effectiveness model
 - Develop and deliver the new 'people plan'

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Build the Brand

- Weaknesses
 - Victim culture
 - Inappropriate internal behaviour
- Strengths
 - New team, new culture new grit
 - New self belief
- Going forward
 - Build on the approach already adopted (as presented at last board)

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Prepare for Operations

- Weaknesses
 - Lack of clear focus
 - Secondary to build
 - Relationship with LB
- Strengths
 - New dedicated director
- Going forward
 - Relationship with LB
 - Relationship with Transdev

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The future of TIE

- Weaknesses
 - Lack of clear purpose
 - Confused governance
 - infighting
- Strengths
 - An exciting future
 - Quality people
 - One family
 - Relationship building skills
- Going forward
 - One family
 - Clear governance
 - Relationship with LB

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Building the Tram

- HSQE Report
- Current Situation
- Recap of mediation and progress since last TPB
- Next steps with BSC consortium strategy
- Other scope and funding options

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HSQE



- An accident occurred outside a Carillion site during period 4. An 82 year old woman fell after catching her heel on a temporary ramp on a pavement. This has been classed as a reportable accident by Carillion but was not directly as a result of the construction activities. Taking this into account, the Accident Frequency Rate rises to 0.33, however, if this accident is "ruled out" as it was not as a result of construction works, the AFR remains at 0.26. A joint investigation is underway by Carillion and tie with a focus on the temporary pedestrian ramps and where they should be used.
- Project Manager Inspections for MUDFA have been 100% of those planned, however, the joint inspection process for Infracore between tie and BSC has proved more difficult to achieve the 100%, with 7 out of 8 inspections completed. Scores are yet to be confirmed. This has also been the case for safety tours with 4 out of the 6 planned taking place.
- A major operation to connect the new gas main at The Mound and abandon the old one went well. Gas that remained within the 120yr old main after diversion was burned off in a controlled manner.

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Current Situation

- Utilities
- Tramworks
 - Princes Street
 - Depot
 - Tram manufacture
 - Haymarket / Shandwick Place
- Relationship with BSC

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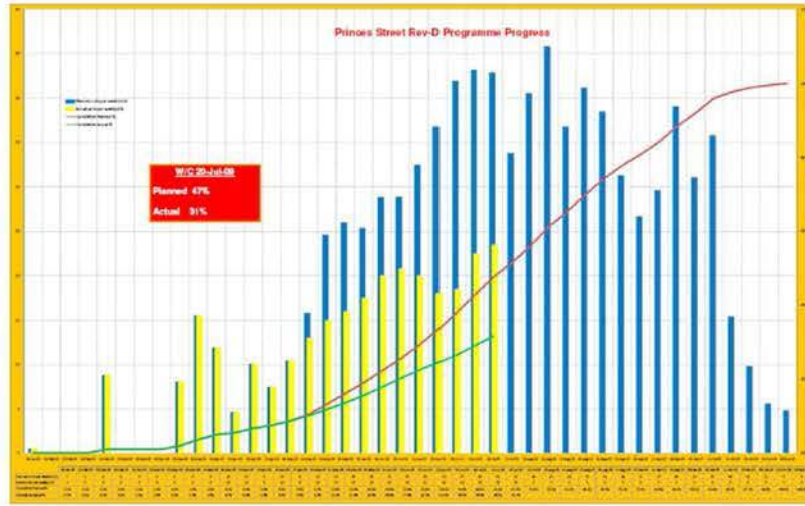
Utilities

- Residual diversions in Section 7B (Airport) underway using Farrans.
- Section 1A (Forth Ports) diversion out to tender week commencing 27/07/09.
- BT cabling progressing well and ahead of plan.
- Mound gas diversion went well and residual gas in main burned off in a controlled exercise.
- Lothian Road Junction water connections now complete.
- Key areas still to be completed by Carillion are:
 - Annandale St – London Rd – Picardy Pl
 - Broughton St – York Pl
 - Haymarket

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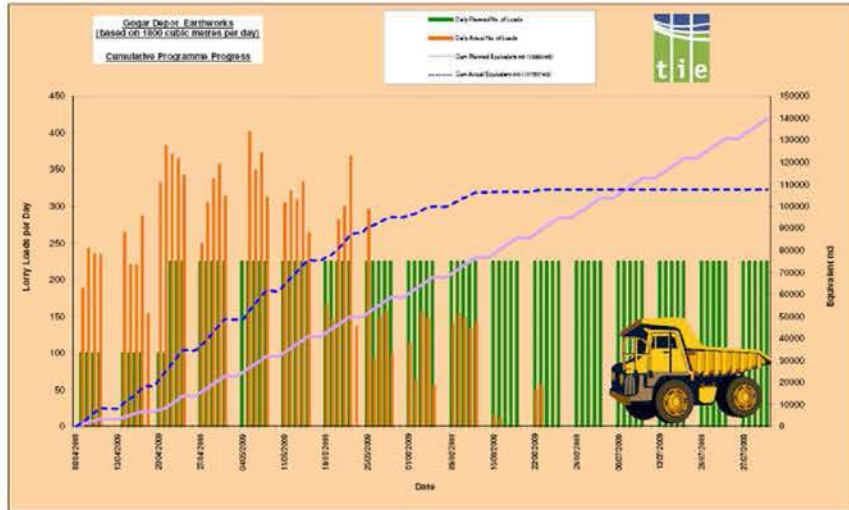
Tramworks Progress - Princes St



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Tramworks Progress - Depot



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Tramworks Progress - Overall



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Recap of Mediation and 8th July TPB

- Mediation held week covered 8 individual items and whilst useful discussions were held and additional information provided, no overall movement or agreements were reached
- 4 options presented to TPB in July :
 - a) **Negotiate settlement of all issues with BSC** – 3 months and mediation has not delivered an outcome which is acceptable in terms of certainty on delivery, engagement, programme and costs
 - b) **Formal contractual approach – DRP and other remedies**
 - c) **Reduce/rephase BSC scope** – instruct or by negotiation and re-procure
 - d) **End BSC contract** – termination or by negotiation and re-procure
- TPB approved **Option b)** and requested an update at this meeting

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Formal Contractual Approach

Elements

- Progress selected issues through formal DRP process to adjudication – prioritised to the high value, risk and delay items and keeping a focus on the detail
- Instruct BSC to implement changes in the meantime – we don't need to instruct on the obligation to progress the works generally
- Drive out information by invoking the Audit and Best Value clauses – especially in relation to programme and design management
- Serve notices of breach of general obligations to mitigate delay , provide information, comply with design review procedure, progress the works, appoint subcontracts and other instances of failure to manage the project for the client.
- Detailed strategy, documentation and programme under preparation – most of the material already exists.

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Formal Contractual Approach

BSC Strategy to date.....

- Keep it simple (high level) and use protection/assumptions of Schedule Part 4
- Argue that the contract is too complex/doesn't work and therefore needs to be changed for our benefit (e.g. Princes St)
- Argue that the contract prevents them from starting any items which they consider are changed until they are agreed
- Argue exclusive access to the works is required and any impact on that needs to be addresses before they can mitigate
- Resist information provision on differences because it is "not available" or "**tie** should have it already"

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Formal Contractual Approach

Outcomes

- Better relationship
- Commitment to progress
- Price for issues to date
- Certainty about the future
- Information from BSC to support changes notified

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Formal Contractual Approach

Pros

- Certainty based upon facts and contract rather than negotiated settlement – decision making more robust against future challenge
- Force the hand of the consortium partners – Siemens and CAF – if replacement of BB in consortium is ever contemplated
- BSC in major/persistent breach if they refuse to continue working

Cons

- Could take many months especially if BSC stick to formal DRP process
- BSC stop work (i.e. obligation to continue is itself in dispute)
- If BSC don't like the adjudicated answer they go to court rather than continue
- If the answer still presents an unaffordable project we have spent additional £m's in the meantime

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Formal Contractual Approach

Progress

- Bible of position papers produced by DLA
- Total of 15 new items for DRP referral identified
- Programme for DRP referral documented – split into 5 Tranches
- Items for audit identified and programme for audit requests in place
- Associated instructions under Clauses 80.15 & 60 to be identified for each DRP item
- Audit outputs will confirm requirement for notices of breach to be issued
- Detailed programme/action plan for each DRP and preparation of case documents underway – Tranche 1 will be complete by 3rd August

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Formal Contractual Approach

DRP Tranches

- Tranche 1 : Week commencing 3rd August
 - EOT 1 – (tie Notice of Change 1)
 - Hilton Car Park
- Tranche 2 : Week Commencing 10th August
 - BDDI – Gogarburn Bridge
 - BDDI – Carrick Knowe Bridge
- Tranche 3 : Week commencing 24th August
 - BDDI – Russell Road Bridge
 - BDDI – Earthworks Section 7
 - Value engineering
- Tranche 4 : Week commencing 14th September
 - EOT 2
 - Misalignments
 - SDS – spilt into 5 DRP's
- Tranche 5 : tbc
 - Valuation of Edinburgh Park

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Formal Contractual Approach

Readiness

- Challenge team in place to challenge each DRP as it is prepared
- Challenge team includes team from McGrigors
- Role is to:
 - Test the strength of the case documents/arguments and identify any weaknesses
 - Anticipate BSC strategy and counter arguments
 - Check readiness for launch of DRP

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The Team

- Work to commence in August to create an engaging Vision to be used in the context of communicating the **tie** Organisational effectiveness Model (OEM)
- The 5 key themes are being used to ensure delivery of organisational and exec team objectives for cascade through the organisation
- Organisational values will be developed during August
- Review of HR processes/procedures underway

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Communications

- Leith Walk – compensation continues to be an issue for Leith Walk
- West End – support being given to new West End web-site
- St Andrews Sq – use of empty windows for awareness campaign with Essential Edinburgh
- Haymarket – banner/signage being developed with CEC
- City Centre – participation in Festival updates
- Working with CEC FOI Manager during the period

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