
From: Graeme Bissett [graeme.bissett@[REDACTED]]
Sent: 23 February 2009 10:43
To: 'Stewart McGarrity'; 'Steven Bell'; 'Dennis Murray'; 'David Mackay'; 'Alastair Richards - TEL'; 'Jim McEwan'
Cc: Fitchie, Andrew
Subject: RE: Options Paper - PRIVATE & CONFIDENTIAL

I think this paper captures the issues well. My instinct is that BB do not want £50m–£80m but will want a substantial sum to continue and are prepared to walk. We would not trust them again and any option which involves them continuing would be very high risk. We must assume they have thought this through legally and commercially, even if the robust response to the Princes St blackmail demand will have surprised them, and our assessment of our tactics needs to assume competence on their part.

Even if there are challenges in getting there, the best result would be that BB are replaced in-consortium with limited incremental cost. The issue then becomes one of tactics to get Siemens/ CAF to make that happen and we should now try to develop a gameplan.

Although I agree termination is a high risk option, the concept of replacing consortia (or members) mid-project is not uncommon, there will be market interest given the falling away of construction demand and I think the balance of issues on cost could work positively (contractors in need of business + design / utility risks resolved v inflation and concern about the causes of BB's demise). I agree with the threat to grant, but the way to manage grant retention may be through a procurement which is dependent on prices being within the envelope, with bid costs largely underwritten. This must remain a big risk however while Government funding is stretched.

I agree entirely that there is a lot riding now on winning the DRP convincingly and we must get fully focused on this, perhaps extending the scope beyond the two points in David's letter to Keysburg.

More generally, I think we'd benefit from spending time assessing future scenarios in the shorter term as well as addressing our desired outcome and how to get there. These include the scope and execution of DRP, possible outcomes to the Princes St mobilization, our breach / termination tactics, BSC demobilizing elsewhere, Siemens offering a BB-free future but at a cost. Perhaps we could use the meeting tomorrow morning re-assessing the preferred outcomes, tactics to get there and the range of short-term scenarios.

Regards
Graeme

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From: Stewart McGarrity [<mailto:Stewart.McGarrity@tie.ltd.uk>]
Sent: 23 February 2009 08:56
To: Steven Bell; Dennis Murray; Graeme Bissett (external contact); David Mackay; Alastair Richards - TEL; Jim McEwan

Cc: Fitchie, Andrew

Subject: Options Paper - PRIVATE & CONFIDENTIAL

PRIVATE & CONFIDENTIAL

All,

Attached is a "straw man" draft of a paper which builds upon the work done by Andrew and Dennis last week on our strategic commercial options based on what we know today and when its complete will also spell out the dynamics of any choices with regards to changes to scope and funding . I'll circulate an update by the end of the day. In the meantime there is plenty there to read and tell me I'm wrong about.

We should spend some time tomorrow morning at the Exec meeting talking about the fine grained tactical approach and options, both to Infraco engagement and stakeholder engagement over the next couple of weeks. I'm still worried about the disputes around Princes St getting resolved in short order (on Friday It felt like they would because Infraco want them to be resolved) and us facing the "leap of faith" decision to progress on Princes St (and elsewhere) while a lengthy DRP campaign is fought and in the meantime the outturn cost and programme for the job can't be determined with the requisite degree of certainty.

Regards,

Stewart

Stewart McGarrity

Finance Director

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