

Colin Smith

From: Steven Bell [Steven.Bell@tie.ltd.uk]
Sent: 06 March 2011 20:48
To: Nigel Robson; Richard Jeffrey; Anthony Rush; Nolan, Brandon; Colin Smith; 'Dave Anderson'; donald.mcgougan@edinburgh.gov.uk; VRE - [REDACTED] Susan Clark; Dennis Murray; Alastair Maclean
Cc: Graham, Drysdale
Subject: Infraco Project Phoenix Proposal Analysis
Attachments: Updated Risk Register items (252 KB); Response to PPP Price Qualifications.pdf; Infraco PPP Terms and Conditions Analysis V2.pdf; Infraco PPP Risk Transfer Analysis V2.pdf; Infraco PPP Scope Analysis V2.pdf

Legally Privileged and FOI(S)A Exempt

Gentlemen and Susan,

Please find attached a consolidated set of documents summarising our analysis of the Infraco Phoenix proposal, including commentary on scope; terms and conditions; risk transfer; reconciliation of individual exclusions and clarifications from Infraco and tie's comments against each and finally a risk register which, where possible provides a pricing range for consideration.

Some of you will have received these documents in earlier versions, or in part. This provides an up to date summaries which support the assessment in the risk register circulated on Friday 4 March 2011. These assessments are necessarily imprecise, given the time available to fully analyse the qualifications and details provided by the Infraco. The risk register entries are not a "guaranteed maximum price".

Regards,

Steven

Steven Bell
Project Director

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FAO Mr Martin Foerder
Bilfinger Berger – Siemens – CAF Consortium
9 Lochside Avenue
Edinburgh Park
Edinburgh
EH12 9DJ

Our Ref: INF CORR 2773

Date: 5 November 2009

Dear Martin,

**Edinburgh Tram Network – Infraco
INTC No 1**

We refer to your letter reference 25.1.201/GC/3939 dated 2nd November 2009 and letter reference 25.1.201/GC/3956 dated 4th November 2009 enclosing a revised Estimate for INTC No 1.

As discussed at Mediation on 22nd/23rd/30th October 2009 and confirmed in the Memorandum of Understanding dated 30th October 2009 you have submitted your revised Estimate to accord with the agreed commercial settlement figure of £3,524,000.

It has been agreed that the valuation of Preliminaries for INTC No1 will be on the following basis;

1. Bilfinger Berger Element of preliminaries will be valued in accordance with the rates and prices set out in Spreadsheet No 2 in Appendix F, Schedule Part 4.
2. In addition, escalation for the Bilfinger Berger Element is calculated as set out in the revised Estimate.
3. In addition the Siemens Element will be reimbursed on an Actual or Estimated Actual Cost basis for Project Management and other costs the details of which are confirmed below.
4. In addition CAF will be reimbursed on an Actual or Estimated Actual Cost basis which are incurred as a direct impact of INTC No 1 details of which require to be evidenced and presented for consideration.

Taking these items in turn we comment on the revised Estimate;

1. The valuation of the Bilfinger Berger Element of Preliminaries in relation to Spreadsheet No 2 in Appendix F, Schedule Part 4 for INTC No 1 is agreed as set out in the revised Prolongation Estimate – V26 to V31 spreadsheet dated 4 November 2009 subject to clarification as follows;

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- a) The Prolongation Estimate - V26 to V31 spreadsheet in the revised Estimate reflects the agreed commercial settlement figure of £2,225,000.
 - b) The extended durations have been calculated from the revised agreed programme and are evaluated on the basis that the extension of time in relation to INTC No 1 was granted on day one of the contract and therefore the movement from Rev 0 to Rev 1 programme is theoretical at that date. All Preliminary items have been evaluated on that basis whether real or virtual. (see note on further EOT's below)
 - c) It is acknowledged and accepted that items 34 and 49 of your spreadsheet are not applicable to INTC No 1 however they may be applicable to any further EOT submission.
2. The calculation of further escalation beyond 16th July 2011 is calculated as set out in your prelim escalation spreadsheet dated 4 November 2009 using the escalation percentages attached to the spreadsheet and the amount for INTC No 1 is agreed at £21,614.36.
3. Siemens Element

We confirm the following figures in respect of INTC No 1.

a) General Project Management	£ 390,523.53
b) System Operating Cost	£ 15,944.00
c) Electrification	£ 126,480.28
d) Signals and Communications	£ 122,821.43
e) Depot Workshop Equipment	£ 14,072.83
f) Trackwork Project Management	£ 87,654.74
g) Expenses	£ 42,438.46
h) BAM	£ 380,250.00
i) Overheads on BAM	£ incl
j) Cost of Money / Escalation	£ 118,814.33
Total	£1,299,000.00

The above figures a)-g) are calculated by reference to the breakdown sheets as amplified by the accompanying short narrative dated 4 November 2009.

Item (h) BAM is valued on a commercial settlement basis of £325,000. Overheads and Profit is added as appropriate.

Cost of Money / Escalation is included as a lump sum commercial settlement at £ 118,814.

The revised Estimate in the sum of £3,524,000 is accepted subject to the above clarifications and terms.

Further Extensions of Time

For clarification we agree the following in relation to evaluation of any further extension of time.

1. Bilfinger Berger Element - Spreadsheet 2 Appendix F Schedule Part 4
As required by the contract, Preliminaries elements will be valued, if appropriate to the particular ~~tie~~ Change, in accordance with the Spreadsheet 2. For example in respect of any method related charge such as Sub Contractor Prelims (Depot/SC1/SC2/SC2/SC3) these will be evaluated on the conclusion of an impacted cause and effect analysis of each sub contractor / sub section taking full cognisance of any mitigation etc. Agreed extended durations following such an exercise will be evaluated using the Spreadsheet 2.
2. Escalation for Bilfinger Berger preliminaries beyond 16 July 2011 will be valued as set out in the revised Estimate. Further, escalation for Bilfinger Berger construction works beyond 16 July 2011 will be valued based on the same principles as set out in the revised Estimate.
3. Siemens Element
The Actual Cost/estimated Actual Cost breakdowns for General Project Management, Systems Operating Cost, Electrification, Signal/Communications, Depot Workshop Equipment and Trackwork Management in your revised Estimate will be used when evaluating any further EOT's. The durations applied to these breakdowns will require to be assessed on an impacted cause and effect analysis for each item/section of the works. Other Siemens business units not already included in the revised Estimate for INTC No 1 such as Siemens Traffic Solutions and Siemens Maintenance Services may be affected by any further extension of time events and if so then these will also be subject to an impacted cause and effect analysis and any entitlement to recovery arising from such analysis will be valued on a similar basis.
Any entitlement in relation to the BAM sub contract works or any other sub contract works, if appropriate, arising from further extensions of time will require to be

proven and demonstrated using a cause and effect analysis and on a model of Actual Cost/estimated Actual Cost.

Escalation/Cost of money was settled on a lump sum for INTC No 1. A model calculation is to be agreed going forward for any further extension of time calculations.

4. CAF Element

CAF will be reimbursed on an Actual Cost or Estimated Actual Cost basis which costs are incurred as a direct impact of any further extensions of time, details of which require to be evidenced and presented for consideration.

Yours sincerely,



Steven Bell
Project Director – Edinburgh Tram

Cc: Miguel Berrozpe
Alejandro Urriza
Antonio Campos



FAO Mr Martin Foerder
Bilfinger Berger – Siemens – CAF Consortium
9 Lochside Avenue
Edinburgh Park
Edinburgh
EH12 9DJ

Our Ref: INF CORR 2785

Date: 13 November 2009

Dear Martin,

Following our discussions on Monday 2 November 2009 I am pleased to see that we managed to make such good progress on such a substantial item and I hope that we can build on the spirit of co-operation which we both committed to.

I confirm the following, which is subject to formal Board approval:

In relation to events of delay to progress, **tie** offer to award an initial extension of time of 9 months on Sectional Completion Dates (Sections A, B, C and D), this is in addition to the agreed extension of time in relation to Programme Rev 1.

tie confirm that 6 months of prolongation costs on Sectional Completion Dates (Sections A, B, C and D) will be valued and paid based on the principles as set out in the revised Estimate for INTC No.1 as detailed in **tie's** letter reference INF CORR 2773 dated 5 November 2009.

Infraco and **tie** will develop a programme to completion in accordance with the timeline to be developed by Steve Sharp/Susan Clark. The production of this programme will be in accordance with the agreed method outlined in the diagram discussed during our discussions and this may inform any further entitlement to be assessed. A copy of the agreed method is attached.

Implementation of this will include joint input from both parties' construction management and planning teams and will include a number of joint workshops. All known progress and data at 31 October 2009 is to be used to prepare and agree this programme.

During our meeting on Monday we discussed a number of actions to be implemented to demonstrate commitment to a refreshed cooperative way of working in future to deliver the Edinburgh Tram Project. We look forward to seeing evidence of these being delivered in the very near future.

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We also agreed that the DRP process in respect of MUDFA Revision 8 including the mediation would be suspended pending notice from either of us to restart it and you undertook to resolve this matter with the mediator and confirm this in writing to tie.

Once this joint process has been completed, we will need to regularise your further entitlements through the contractual mechanism for the presentation and agreement of updated programmes, with consequent awards.

I hope that we can reach that point on a fully-agreed basis.

Yours sincerely,

A large black rectangular redaction box covering the signature of Steven Bell.

Steven Bell

Project Director – Edinburgh Tram

ETN: PROGRAMME EVOLUTION SCENARIOS: DELAY CAUSED BY tie CHANGES

1. The Programme



2. Latest Approved Programme (which includes agreed EOT1 Delay Effect)



3. Latest Approved Programme extended for Unmitigated Delay Effect of other tie Changes (ie. other than EOT1 Delay)



4. Mitigated Programme including Delay effect of other tie Changes



Time saved through mitigation measures

5. Accelerated Programme including delay effect of other tie Changes



Further Time saved by acceleration measures

Notes:

- (i) Scenario '3' - The overall effect of the delay, caused by tie Changes, has to be established as part of the process to then be able to identify the most cost effective programme.
- (ii) Scenario '4' will be more cost effective for tie than Scenario 3 - if the reduced delay running costs, plus additional cost spent on time reduction measures, are less than the total cost of Scenario '3'. The most cost effective programme for tie will likely be the shortest programme, not costing more than Scenario 3. Change in risk for the Infracore has to be accounted for in the overall solution.
- (iii) Acceleration of the Mitigated Programme would, through identified measures, be paid for additionally by tie through the Contract mechanisms. Again, change in risk would be part of agreed additional amount(s).