
From: Reynolds, Steve
Sent: 19 April 2008 08:49
To: Glenn, Stuart
Cc: Kohler, Chuck; Ayres, Greg; Smallhorn, Grant
Subject: Edinburgh Tram Weekly Report

Stuart

Please find attached my weekly report on the Tram Project.

The latest information on target date for Infraco Contract Close and novation of the SDS Agreement is now as soon as possible after the next Edinburgh City Council meeting to be held on 01 May. The CEO of the Council has instructed that a full Council session will now be required to secure sign off due to the continuing delay in securing a recommendation from **tie** to proceed. Provided all the paperwork is in place then contract award is being targeted by **tie** for no later than 06 May and possibly as early as the afternoon of the 1st.

Negotiations have all but concluded on the wording for the SDS novation agreement. Significant progress has been made with the inclusion of an attractive form of incentive agreement for PB delivery against programme milestones. We have also managed to negotiate out the need for a collateral warranty from Halcrow in favour of BBS. That had been in danger of derailing much of the good work aimed at securing a better agreement than we currently have under the SDS Contract. Roddy Gordon for Watson Burton has confirmed that this is definitely now the case so finally after four months of detailed negotiations we have an acceptable close-out.

The extended time to secure agreement has impacted financial performance on the project. One impact arises from the fact that it was never envisaged that PB would have very much work to do to conclude a novation agreement because the procurement strategy was based on a complete design being handed over to the Infraco. More problematic though has been the continuing delay to the commencement of the post novation Phase IV of the contract on management team efficiency. As soon as novation is achieved PB will be engaged in five work streams:-

- Completion of the (small amount of) outstanding design and approvals activities under the current Phase III of the SDS Contract
- Engineering of changes required to address the misalignment between the BBS Offer and the SDS design, including the execution of the VE changes proposed by BBS. (Potentially a significant volume of work)
- Delivery of the technical support services required under Phase IV of the SDS Contract (~£1m of fees)
- A new scope of work to deliver detailed Construction Support services to BBS. (A nominal team size of twelve)
- A new scope of work to deliver Management services to BBS for the supervision of Siemens designs through the CEC Approvals processes. (Of the order of £600k of services plus the fees for any engineering work required for integration of Siemens designs).

This will require staff in addition to those currently employed on management duties in Edinburgh. Currently, though, the management team is not being utilised efficiently and that is causing margin erosion. I have now successfully negotiated settlement of the second prolongation claim but pressure is still very much on and I now have to write to **tie** to advise that if novation does not take place on this latest advertised date early May then I will be seeking recovery of costs for the team with the option that staff be stood down if agreement is still deemed to be some weeks away.

I have a second problem in that having achieved clarity of scope of work to complete with the significant progress in January on agreement with **tie** on the change register it would appear that the remote design teams have not been working as effectively as they should have been. I have just ordered an investigation into why the forecasts prepared by some of the Design Team Leaders for teams under their control to deliver designs for Edinburgh have slipped so significantly in the period between the end of January and the end of March. I am convinced that much of the explanation will be overbooking of time due to lack of workload elsewhere in the Rail Unit but clearly it's important that we get a clear understanding of the true cost of completing the Edinburgh contract and these instances of unacceptable performance must be wiped out. On the specific subject of the Structures design team which we've highlighted previously the decision was taken to move work from the Birmingham based Rail team to the Highways group and that has had a positive impact with much better performance being demonstrated by the Highways Unit.

There will have been some cost associated with the change as people go up the learning curve but the potentially serious problem with programme slippage has been reduced considerably.

So, in summary, significant achievement on the commercial negotiations to secure an acceptable for of novation agreement. Instances of PB inefficient working to be isolated and resolved. And mounting pressure on me to re-engage with **tie** and resolve the potential problem of cost overrun on the management team due to delayed novation before it becomes a significant problem. On the plus side, once novation is achieved the prospect of significant additional work with BBS and something which we must prepare for by restructuring our previous approach to the delivery of detailed design in order to achieve better performance. If we can do that the prospects for work with BBS beyond the ETN remain sound.

Regards - Steve



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