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Mr Andreas Goss
Chief Executive
Siemens plc & Cluster North West Europe
Faraday House
Sir William Siemens Square
Frimley
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Our Ref: DJM/JPT

12th August 2010

Dear Mr Goss,

Edinburgh Tram Project

Thank you for your letter of 25th August 2010. I very much welcome your support for the ongoing Carlisle discussions. I have been copying you with the correspondence to and from Mr Enenkel to re-inforce that we too are fully committed to try to find a composite solution for the present unacceptable position.

I hasten to add, that we have also had positive input from both Gordon Wakeford and Michael Flynn. We will continue to engage with them as appropriate although I am sure you will be aware that the current primary point of contact and indeed Facilitator for the Consortium is Mr Ed Kitzman.

I assume your reference to "lack of payment" refers to Preliminaries. This matter has been discussed in detail with the Consortium who have also been given a copy of an Independent Opinion which supports our view that Infraco has been overpaid. You will have seen that the latest correspondence with Bilfinger addresses this matter and we have been advised that the intention is for them to formally refer this for Dispute Resolution.

You will also have seen the reference in my recent reply to Mr Enenkel about the support of Edinburgh City Council. I can also assure you that we have the full support and commitment of all our stakeholders who are regularly and fully briefed on all matters.



Finally, we will continue to use our best endeavours to reach a positive outcome to the Carlisle negotiations, which will not only require a pragmatic approach by all parties but also a concerted and united determination to achieve success. For my part I have found having an independent team who can stand-back from the arguments of the past two years very helpful. Reaching an agreement is going to require both sides to accept that the other-side may have a point

Yours sincerely



David Mackay

Chairman

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