

Princes Street Supplemental Agreement

Further to recent meetings to discuss both the outturn costs and the entitlements from BSC on Princes Street, you are aware we are currently robustly requiring a range of supporting information and substantiation from BSC to justify further payments.

The recent Application (as at 24/4/10) under the PSSA totals £11.705m. Against this, we have certified £8.192m.

Key Summary of Deductions (PSSA Application)

BB Staff – Certified in line with Organogram (£180k)

McKenzie Staff – Certified in line with Daily Record Sheets (£130k)

McKenzie Labour – Certified in line with Daily Record Sheets (£125k)

McKenzie – Plant, Material Invoices – Deduction pending check that Invoices relate to Record Sheets (£230k)

McKenzie – Plant, Material Invoices – Invoices Queried (£336k)

McKenzie Subs (Corecut), Disputed method of working – (£22k)

McKenzie Subs (Legal Contracts), works outwith PSSA – (£25k),

McKenzie Subs (Clear Channel) – Aligned with credit position (£150k)

McKenzie Subs (Maher) – Re-measured (£35k)

McKenzie Subs (Raeburn) – Checked against sign/out sheets (£85k) – We were missing sheets which BSC have provided, this gap will close this period.

McKenzie Subs (Ecosse), combination of measure, bonus payment, disputed hours from sign in/out sheets – (£257k)

Crummock Staff – Certified in line with Daily Record Sheets (£85k)

Crummock Labour – Certified in line with Daily Record Sheets (£20k)

Crummock – Plant, Material Invoices – Deduction pending check that Invoices relate to Record Sheets (£55k)

Siemens / Bam Disruption Claim – No substantiation received (£111k)

Works carried out post 28/11/09 – (£700k)

Detailed meetings are continuing to either receive appropriate substantiation or for the application to be reduced. Two escalation meetings have taken place with Martin Foerder and Steven Bell, with a further review planned for 8 June 2010.

In addition to that commercial management activity, we would highlight the following commentary on any entitlement (and an associated valuation comparison) which compares what would have been due under the original Infraco Contract plus any changes or compensation events with the PSSA equivalent assessment.

The items relating to Changes under the Infraco Contract reflect a number of key categories. These include items for which an entitlement is not in dispute between **tie** and Infraco:

- Specified Exclusions for utilities works
- Pricing Assumption 12.

- Additional scope (such as traffic signals to George St/Hannover Street)
- Adjustments to accommodate revised access arrangements (festival walkways etc.)

Original Infraco Contract Approach	
The original base Construction Works Price for Civil Engineering works.	£2.789m
1. Specified Exclusions e.g. Utilities Works (including Crawley Tunnel)	£0.340m
2. Pricing Assumptions (e.g. PA12 re planing etc. was not met as full depth road reconstruction was required.)	£2.76m
3. Third Party Works (e.g. George Street Hannover Junction, Festivals etc.)	£0.505m
4. Improvements (e.g. Drainage)	£0.21m
5. General, Timely Completion & Other (e.g. Setts / bus trackers)	£0.98m
Consortium Overheads (7.4%)	£0.33m
Subcontractor Prelims (17.5%)	£0.681m
Subtotal	£5.807m
Potential Disruption Claim (allow 15% Labour & Plant)	£0.675m
Surfacing works	£1.318m
Total	£10.589m

PSSA Approach	
The original base Construction Works Price for Civil Engineering works.	£2.789m
Anticipated Final Costs (PSSA excluding surfacing).	£8.592m
Prelims	£0.644m
Subtotal	£9.236m
Total including CWP and PSSA	£12.025m
Surfacing works	£1.318m
Total	13.343m

Therefore the premium for PSSA equates to £2.754m.

In addition it is relevant to consider the assessed impact of relaxing the summer embargo. This has been evaluated as providing an assessed benefit of ~£420k if measured against the original Contract or ~£330k versus the PSSA.

I have attached a more detailed file for your information which splits down some of the items referred to above.