From: Donald McGougan Sent: 16 April 2010 16:24

To: Alan Coyle

Subject: FW: Meeting with BSC - sent on behalf of Richard Jeffrey

Sensitivity: Confidential

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Sent: 16 April 2010 16:14

**To:** Allan Jackson; Brian Cox (<u>briancox@mythica.co.uk</u>); Dave Anderson; David Mackay; Donald McGougan; Gordon Mackenzie; Ian Craig; Ian Perry; Kenneth Hogg; Maggie Chapman; Neil Scales; Phil Wheeler; Richard Jeffrey; Tom

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Dear Board member,

As you are aware from our meeting on Wednesday I was due to meet with BSC that afternoon. To complete your up-to-date picture of what is going on I thought it would be useful for you to see the notes of the meeting.

This is not supposed to be a comprehensive note, just the highlights

Tony Rush and I met with Michael Flynn (Siemens) and Richard Walker (BB) yesterday at 3pm. The meeting lasted for 1hr 45 mins

We tried to engage on clause 80, a clause 65 based approach for on-street, and the Siemens 33 initiative.

They started with 'you owe us £15m for work done that we have not been paid for, we can't move forward until this is sorted' (there is no validation to this)

They restated their position that they will not (and they believe they are not obliged to) work in any areas where there is an alleged change until that change is resolved. They believe we have no intention of treating them fairly and as a result have no inclination to do any work as they see it 'at risk'

Despite positive signs from Siemens before the meeting, the position (BB) has not changed at all, indeed it has if anything hardened.

I think the casual observer would have seen us looking for solutions and compromise, (this was how we want to appear to Siemens) and BB adopting a very stubborn approach.

I think that we need to think about timing of next steps, but the meeting actually makes is much clearer about what those next steps now need to be, which are as we discussed at the board.

Regards

Richard

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