



Richard Walker  
Managing Director, UK & Ireland Civil  
Bilfinger Berger UK Limited  
3000 Manchester Business Park  
Aviator Way  
Manchester  
M22 5TG

Our Ref: PD.CORR.032

Date: 11 December 2007

Dear Richard,

Your news today that BBS are unable to achieve the pricing objectives we set you is extremely disappointing.

In recent weeks we have talked at length about tie's critical milestone on 20<sup>th</sup> December where the full Council finally accept the project business case and Infracore and Tramco deals. Their acceptance on the 20<sup>th</sup> December paves the way to achieve financial close on the 28<sup>th</sup> January 2008.

We have made it very clear to you at each of the last four weekly progress meetings that the end result of all of the circa 40 technical and commercial meetings is to enable tie to make a firm recommendation to Council that the deals can proceed to contract award.

Our visit to Germany on Thursday is focussed on cementing the final deal and particularly finalising the price. As it stands today we are not in a position to consider the results of the repricing exercise and therefore question the value of the visit to Germany.

Unless you are able to confirm that, by the end of Thursday's meeting, we will have been able to consider, and agreed the following items then I must state that tie will not attend and we will need to revisit the entire preferred bidder programme.

1. Price confidence: we ask you to consider fixing your price, save for a very few notable exceptions where for example the design itself is absent.
2. Price level: we ask that, having been through the value engineering exercise including the targets agreed at preferred bidder date - your price level and VE

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tie limited

Citypoint, 65 Haymarket Terrace, Edinburgh, EH1 2 SHD

tel: +44

web: [www.tie.ltd.uk](http://www.tie.ltd.uk)

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savings are confirmed at a level that enables our project business case target to be met.

3. Programme confidence: Following the meetings with SDS, CEC and **tie**, we ask that you confirm that you can achieve the programme opening dates i.e. revenue service commencing 11<sup>th</sup> February 2011 for Line 1a contained within the proposal – together with any key assumptions.
4. Contracts closure: After a large number of contract meetings your team appear to have become entrenched in respect of finalising the positions on a number of important legal/commercial issues. These have been reviewed today and a timeline agreed on their resolution. We need your definitive responses on each and conclusion of these issues tomorrow.
5. Employers Requirements: we need your team's provisional agreement on the compliance matrix and confirmation of alignment with your proposal.

Yours sincerely,



Willie Gallagher  
**Executive Chairman**