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## Infrastructure Services

Ref: AMIS/tie/letter/KAG/Projects/260

19<sup>th</sup> June 2007

**Mr. Graeme Barclay**  
tie MUDFA Utilities Construction Director  
tie Limited.  
Verity House,  
19 Haymarket Yards,  
Edinburgh.  
EH12 5BH

Dear Graeme,

**Subject: MUDFA Alfred McAlpine Infrastructure Services (AMIS) – Contract A150**  
**Construction Services – Delay and Disruption**

I refer to AMIS MUDFA letter Ref; AMIS/tie/letter/KAG/Projects/256 dated 19th June 2007, Section 3(a), paragraphs 3 to 6 inclusive.

As previously advised the current delay associated with the commencement of sustainable and productive Construction Services indicates a net shortfall in projected turnover in the region of £6.1M.

This deficit is derived from the MUDFA Contract documentation, including the Schedule 8 Programme, less the uncontrolled copy of tie Limited Payment Certificate No.6, up to and including 1<sup>st</sup> June 2007.

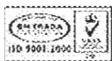
Had this turnover been secured through the provision of adequate and timely utility designs and technical information, as contemplated under the MUDFA terms and conditions, this would have generated circa £530,000 of overhead and profit recovery in excess of that secured to date under the currently uncontrolled copy of tie Limited Payment Certificate No.6.

On the basis of performance to date by the SDS Provider this deficit will increase exponentially throughout 2007, unless sufficient IFC designs and technical information is made available to AMIS MUDFA, to support substantially accelerated schedule recovery, adherence and sustainable / productive Construction Services going forward.

The ongoing delays associated with the release of correctly sequenced and timely IFC utility designs, give AMIS MUDFA significant cause for concern. AMIS MUDFA forecast the net turnover shortfall by December 2007, could be in the region of between £12M to £15M.

The under recovery of overhead and profit recovery on these values would be in the region of £1.2M. This causes a significant degree of concern to the AMIS Board, as discussed at the recent AMIS MUDFA Board Meeting on Thursday 14<sup>th</sup> June 2007.

Please note the approved Pre-Construction Services Programme, as contemplated under Clause 35, indicated a total of circa 325 IFC drawings and associated data being issued on 16<sup>th</sup> January 2007 (assessed as 25% of the overall total), complete with Bill of Materials, procurement Specifications,



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Conflict Registers and HAZID logs. This information, at the time of writing, and opening deliverable is now twenty two weeks behind schedule, i.e. five months.

For comparison purposes the Project Monthly Report for June 2007 indicates, in relation to Revision 05 of the Programme, a total of two hundred and ninety six (296) IFC drawings and supporting technical documentation, are 'delayed' in accordance with Revision 05 of the tie Limited and Stakeholder Constrained (formerly Imposed) Programme.

In our considered and professional opinion this delay is directly and almost exclusively attributable to tie Limited and other parties under the MUDFA terms and conditions, rendering Revision 05 of the Programme untenable at this time.

The nature, magnitude and impact (as assessed at that particular time) of the delay have been recorded under the following key elements of correspondence, together with a number of mitigation strategies proposed by AMIS MUDFA to assist tie Limited, namely;

- Letter Ref; AMIS/tie/Letter/AM/Projects/007 dated 27<sup>th</sup> October 2006
- Letter Ref; AMIS/tie/Letter/AM/Projects/055 dated 12<sup>th</sup> December 2006
- Letter Ref; AMIS/tie/Letter/AM/Projects/083 dated 7<sup>th</sup> February 2007
- Letter Ref; AMIS/tie/Letter/AM/Projects/086 dated 7<sup>th</sup> February 2007
- Letter Ref; AMIS/tie/Letter/AM/Projects/101 dated 20<sup>th</sup> February 2007

Correspondence in the intervening months has been restricted at your specific request in order to encourage a partnering culture in the joint MUDFA team.

This initiative was supported by AMIS MUDFA on the understanding tie Limited would actively engage and promote the recommendations set out in the Report and Recommendation to Manage the "Gateway" from Pre-Construction Services to Construction Services, as submitted under the above noted letter, 101, dated 20<sup>th</sup> February 2007.

However the magnitude of the delay, disruption and dislocation to Revision 05 of the Programme necessitated formal notification of our concerns under the MUDFA terms and conditions in the form of an additional "Early Warning".

As previously stated this matter was discussed at the recent AMIS MUDFA Board Meeting and in accordance with an action arising from this meeting I would be grateful if tie Limited could formally set out their proposals to remedy this infraction under the MUDFA terms and conditions.

Specific areas for inclusion in the formalisation of your reply should consider Clauses;

- 35 (Programme),
- 37 (Time for Completion),
- 38 (Extension of Time for Completion),





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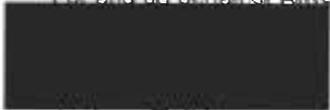
- 39 (Rate of Progress and Acceleration),
- 45 (Liquidated Damages for Delay),
- 46 (Changes),
- 49 (Payment),
- 50 (Measurement) and
- 51 (Measurement and Valuation)

AMIS MUDFA trusts that tie Limited will prepare a suitable remedy to address this issue in parallel with the Commercial and Incentivisation Agreements, in consultation with Senior tie Limited management representatives, in order to alleviate the AMIS and AMIS Board concerns.

AMIS MUDFA looks forward to receiving your considered view at your earliest convenience.

Yours sincerely,

For and on behalf of Alfred McAlpine Infrastructure Services Ltd

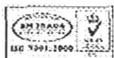


**Andrew Malkin**  
MUDFA AMIS Project Director

**Copies:-**

tie Project Team  
Matthew Crosse  
Susan Clark  
John Casserly

**MUDFA Project Team**  
Keith Gourlay  
Alan Robertson  
Steve Hudson  
AMIS Board members



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