

Our ref: RJW/AK

16 October 2006

tie Limited
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

**Bilfinger Berger –Siemens
Joint Venture**

3000 Manchester Business Park
Aviator Way
Manchester
M22 5TG
United Kingdom

Phone: 
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For the attention of Mr Andie Harper

Dear Sirs,

Edinburgh Tram Network

Further to our letter of 13 October 2006 we detail below conditions that are unacceptable to our consortium and which require to be resolved in the immediate future as discussed in the letter.

1. The non-inclusion within the ITN or Conditions of Contract of the Cancellation Indemnity Agreement providing for the reimbursement of bid costs in the eventuality of cancellation or delay beyond 18 months.
2. The ITN and the Conditions of Contract do not appear to contemplate the insolvency of **tie Limited**. For our consortium to contract with **tie Limited** we would require an undertaking from the funders to facilitate payment for all monies becoming due under the terms and conditions of the contract in the event of any insolvency, winding up or **tie** default.
3. The performance bond requirements identified in Clause 70 are unacceptable in terms of the amounts and durations.
4. We require removal of the Conditions Precedent to Payment.
5. The level of retention of 15% identified in Clause 63.2 is unacceptable.

In addition to resolution of the above items, we are firmly of the belief that to submit a competitive, affordable bid will take considerably longer than the time contemplated by the ITN and we would again request that serious consideration is given to extending the tender period by 3 months.

We look forward to hearing from you in due course.

Yours faithfully,
Bilfinger Berger UK Limited



Richard Walker
Managing Director



Gary Dalton
Commercial Director

Encs.