



Parsons
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6th May 2009

Bilfinger Berger UK Limited
9 Lochside Avenue
Edinburgh
EH12 9DJ

Attention: Martin Foerder

Dear Mr Foerder

Edinburgh Tram Network SDS Contract. Project Management Prolongation

The SDS Contract Novation Agreement dated 14 May 2008 was signed on the basis of Version 31 of the Design Delivery Programme. Appendix Part 4 to the Novation Agreement presented the current status of each of the Phases of the SDS Contract. The status of Phase III, the Detailed Design Phase was described with reference to the schedules for submission of the Prior Approvals, Technical Approvals, and Detailed Design Packages. The final Detailed Design Package was programmed for submission on 20 January 2009. The Agreement also focused on the submission of IFC Drawing packages, with the date for submission of the final package being 21 January 2009.

Several Change Instructions have been issued under the SDS Contract in the period since Novation with the result that completion of Phase III has been delayed. As a result of this delay PB has had to retain project management staff in Edinburgh beyond the dates planned for their release at Novation. PB has recently submitted a claim for additional costs arising from the overall prolongation of the contract which sets out the position at 28 February 2009. That date was chosen as the effective Phase III completion date programmed at Version 31, allowing one month for demobilisation following the submission of the final IFC package.

It is now clear that the scope of work to be provided under the novated SDS Contract is significantly different from that envisaged at Novation. Changes are still being instructed and it is currently not possible to define an end date for Phase III. In these circumstances it is proposed that the SDS management staff impacted by the delay to Phase III completion should be charged on a time and expenses basis at contract rates against approved timesheets for the remaining period to completion of the detailed design. The management staff subject to this proposal are as follows:-

- Project Manager, (PB), Jason Chandler. Grade PD @ £95 per hour
- Project Planner, Carla Chandler. Grade SD @ £78 per hour
- Project Commercial Manager, Kate Shudall. Grade PD @ £95 per hour
- Project Manager, (Halcrow), Bosdan Fodor. Grade PD @ £95 per hour
- Approvals & Consents Manager, Laurie Mentiplay. Grade PD @ £95 per hour

For price estimation purposes the following assumptions are proposed:-

Project Management

The SDS Project Plan was based on Jason Chandler fulfilling the project management role through to the end of October 2008 with Scott Ney assuming the role through to completion of Phase III and then forward through the whole of the Phase IV period. It is estimated that this transition of responsibility,

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having been delayed from the end of October 2008, will now take place at the end of June 2009. The estimated price for the period 28 February 2009 to 30 June 2009 for Jason Chandler is £62,000.

It is estimated that the Halcrow project management role will be extended for a period of six months from 28 February 2009 with utilisation at 2 days per week. The estimated price for the period 28 February 2009 to 31 August 2009 is £38,000.

Project Planning

The SDS Project Plan was based on Carla Chandler, (Jones), fulfilling the project planning role through to 21 December 2008. It is estimated that this role will now be extended for a period of eleven months in total, with utilisation reducing from full-time to half-time after the end of July 2009. The estimated price for the period 28 February 2009 to 30 November 2009 is £90,000.

Project Commercial Management

The SDS Project Plan was based on Kate Shudall fulfilling the commercial management role through to 21 February 2009. It is estimated that this role will now be extended for a period of nine months. The estimated price for the period 28 February 2009 to 30 November 2009 on a full-time basis would be £140,000. However, the commercial management role also covers the requirements of the Extended Construction & Design Support Services which are charged separately. Hence, it is proposed that the £140,000 can be reduced by 20% to £112,000.

Approvals & Consents Management

It is estimated that the approvals & consents management role will be extended for a period of six months from 28 February 2009 with utilisation at 2 days per week. The estimated price for the period 28 February 2009 to 31 August 2009 is £38,000.

I trust that the basis of the analysis set out above is consistent with BSC's position on overall programme prolongation and look forward to the opportunity to review the proposals with you in due course.

Yours sincerely



Steve Reynolds
Project Director
Parsons Brinckerhoff

cc. Colin Brady
Jason Chandler
Kate Shudall
Scott Ney