

Private and Confidential
Richard Jeffrey
Edinburgh Trams
Citypoint
65 Haymarket Terrace
Edinburgh EH12 5HD

Date 6 December 2010
Your ref RJ/CEC/JS
Our ref ADM

Dear Richard

Edinburgh Tram Project
Legally privileged

Thank you for your letter of 22 November 2010. As you know following the meeting today with Tom Aitchison and Donald McGougan, CEC's preferred strategy (for commercial reasons) is to move to mediation on a short-form basis, ideally with a view to both sides 'walking away' from the Infraco contract. This could perhaps (at least initially) take place under the guise of a rebased route and a new contract with the consortium. The latter will clearly take longer to prepare for.

The collective thinking is that short-form mediation could take place some time in January. The mediation would involve one representative from tie, and one from CEC. There should be a representative of Bilfinger Berger in Germany as well as Bilfinger Berger UK. It is not yet known whether Transport Scotland would form part of those discussions.

We believe that all that needs to be communicated to the consortium at this stage is the identity of the proposed mediator (a list of three proposed options) and the general timescale within which mediation would take place.

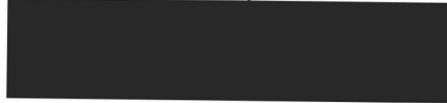
I understand that you will be writing to BSC setting out three things, namely that you are prepared to move towards mediation, when it is proposed this would take place and the choice of mediators. You indicated that you would write this letter in conjunction with Tom, we would approve the letter, and that you would send this at the latest possible time prior to issue of the Council report on Thursday or Friday of this week.

Alastair Maclean, Head of Legal and Administrative Services, Corporate Services
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You advised that you have set up a strategy session with your advisers tomorrow, and it was agreed that Donald and I will attend when our prior meetings finish, which should be around 4.30pm.

With regard to the questions of CEC authorisation/decision-making and the extent and nature of CEC involvement in the mediation, clearly this will need to be discussed and determined by you and by those in charge of the project at CEC. No doubt this decision will be made with the benefit of the advice on strategy and tactics from your advisers at the session tomorrow, and we look forward to hearing what that advice might be.

Yours sincerely

A solid black rectangular box redacting the signature of Alastair Maclean.

Alastair Maclean
Head of Legal and Administrative Services