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**From:** Gill Lindsay  
**Sent:** 09 May 2008 18:36  
**To:** Donald McGougan; Dave Anderson  
**Subject:** FW: Contract Update

Donald, Dave

You may have had an update from Graeme Bissett. He updated me by phone briefly and essentially advised current deal was deferred 3.2m for 1b as expected, 3m and 1.8m set of in full in QRA and Tie will not be receive any residue in potential pot of £1m re provisional sum set aside for claims for indirect consequential loss re third party claims. I can take a further view on procurement when I have the details but this looks initially more positive in this regard than earlier today.

View from Graeme earlier today is that it would be "unfair" to press DLA to take a view on the ability of the deal to withstand a legal challenge on procurement though they had earlier at original price and at £508m in terms of external legal advice to the project. This was signalling to me that DLA may not be inclined to commit to a view though legal clearance is expected. Now that the package has changed, this may assist. I will liaise with Andrew and would expect to have something by Monday. Graeme advises he will amend his paper and recirculate.

Gill

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**From:** Willie Gallagher [mailto:Willie.Gallagher@tie.ltd.uk]  
**Sent:** 09 May 2008 17:00  
**To:** Gill Lindsay; Tom Aitchison  
**Subject:** FW: Contract Update

FYI

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**From:** Willie Gallagher  
**Sent:** 09 May 2008 16:58  
**To:** Willie Gallagher; 'Kenneth.Hogg@scotland.gsi.gov.uk'; 'Strachan Peter'; Cheney, Hazel; 'Phil Wheeler'; 'Ricky.Henderson@edinburgh.gov.uk'; 'Alan.Jackson@edinburgh.gov.uk'; 'gordon.mckenzie@edinburgh.gov.uk'; Tom.Buchanan@edinburgh.gov.uk  
**Cc:** 'david\_mackay@'; 'Dave Anderson'; 'Renilson, Neil'; Graeme Bissett (external contact); Steven Bell  
**Subject:** RE: Contract Update

Gents,

A much better start to your weekend. I am pleased to report that we have concluded a deal at the lower end of the scale of numbers discussed at the Board. Once I have a fully documented report, I will circulate the basis of the agreement which provides significant insurance to the project.

Contract Signature is agreed for 2pm on Tuesday.

Please be aware that the Edinburgh Evening News may run a story on a £12m increase tomorrow – there has been a leak. We have asked them to wait for Monday where I am happy to provide them with a full brief.

Kind Regards,

Willie

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**From:** Willie Gallagher  
**Sent:** 03 May 2008 10:46  
**To:** 'Kenneth.Hogg@scotland.gsi.gov.uk'; 'Strachan Peter'; Cheney, Hazel; 'Phil Wheeler'; 'Ricky.Henderson@edinburgh.gov.uk'; 'Alan.Jackson@edinburgh.gov.uk'; 'gordon.mckenzie@edinburgh.gov.uk'

**Cc:** david\_mackay@[REDACTED] Dave Anderson; Renilson, Neil; Graeme Bissett (external contact); Steven Bell  
**Subject:** Contract Update

Gents,

In advance of next week's Board meeting, I thought it important to provide an update in confidence.

As you are aware, we were hoping to sign contracts on Friday May 1<sup>st</sup>, this did not happen.

On Tuesday evening, I received a call from Bilfinger Berger UK MD requesting an urgent meeting on the Wednesday.

On Wednesday morning, I was informed that Bilfinger Berger would not honour their finally agreed price, and required an additional £12m. The details provided were sketchy but it involved commitments from their Supply Chain being broken due to Construction Price Inflation. They claim that they only were able to pull together their final price on the Tuesday the initial call was made.

On Wednesday after TPB, I asked for the UK MD to be removed from the project, and had a conversation with his German Board Director. I made it clear that I had no budget and no authority to pay them any additional monies. He backed his UK MD, apologised for the lateness of the shock, but stood firmly behind the £12m.

Siemens were unaware of this issue until the Wednesday, indeed they had come to Edinburgh with the necessary authority for signature.

I called an emergency meeting of the Tram Project Board on Wed pm, informed them of the issue, and agreed a series of actions which include:

- (a) Requesting an urgent meeting with BB Board for an explanation – this is happening on Monday 5<sup>th</sup>. Our objective will be to get as much of this increase of the table as possible.
- (b) Investigating the implications of bringing back Tramlines – likely to cost 6month delay at least
- (c) Removal of BB from Consortium and replacement by other Civil Contractor – big Procurement Law Issues and probably not possible.

Although it pains me, Option(a) is by far the most likely for sustaining the Project's momentum. Transport Scotland have also been briefed.

I will be meeting the BB German delegation at 3pm on Monday with Steven Bell & David MacKay. I will give you a further update after the meeting.

On a more positive note, contracts are finalised and Siemens, CAF and SDS are good to go. It is a bit like herding cats and if we get an agreement with BB next week, we must get the contracts signed asap.

I am on the mobile if you wish to discuss,

Regards,

Willie

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