

1 Client Relations

1.1 *tie*

My weekly meeting with Willie Gallagher concentrated on accelerating the process for securing Prior and Technical Approvals from CEC. The Construction Programme is critically dependant upon the achievement of Approvals dates. Willie and I agreed that we would introduced a task force approach to the topic over the next two months, with representatives from PB, *tie*, and CEC co-located and charged with delivery of the Approvals submissions and fostering effective consultation with CEC Planning Department. Post-novation BBS will need to review this initiative.

Novation meetings have continued with *tie* and BBS with three-party sessions on Wednesday and Thursday. The wording of the Draft Novation Agreement is largely agreed with three issues remaining to be agreed, namely the provision of a collateral warranty from Halcrow in favour of BBS; agreement of a suitable form of incentivisation; and agreement on the final form of a liquidated damages provision. We have continued to work closely with Jim McEwan this week on these topics.

On the subject of incentivisation *tie* and BBS are now working to construct a meaningful mechanism for PB, linked to the LD provisions. Talking with Jim McEwan separately on Thursday on the subject he recognises our concerns on the approach taken to LDs to date and we have now spelt out clearly that the proposed construction programme is currently not achievable and therefore we are not yet at the point where we could agree an LD arrangement. If we can shift the focus to a proper incentive mechanism while the programme conflicts are being resolved we can improve PB's position significantly.

Chris Atkins and I also raised with Jim our concerns over the continuing delays to *tie* reaching agreement with BBS on financial close. We pointed out that at regular intervals over the past three months new issues have been introduced into the Novation Agreement discussions with the result that the process has become far too unwieldy. We offered that we would now take the remaining issues and submit back to *tie* a complete document from our perspective. We will work with Watson Burton through next week to achieve this.

In summary, from the client relations standpoint relations with both Willie and Jim are strong and Jim seemed to appreciate the opportunity to discuss the subject of novation in a more informal setting with us on Thursday.

1.2 City of Edinburgh Council (CEC)

Nothing to report.

1.3 BBS

Working relations with Richard Walker are being maintained off line from the formal three party process. Richard and I are of one mind that the most important aspect of the novation process to be concluded is that of defining an unambiguous scope and programme, and defining a mechanism for dealing with changes to scope in future. With PB now having completed the three assessments on misalignment between the SDS Design and the Employer's Requirements & the BBS Offers we are in a position next week to start work with all parties to populate the scope schedules to the Novation Agreement. One of the key issues to be confronted will likely be the absence of programme time to accommodate any changes which may be instructed.

2 Commercial

2.1 Novation of the SDS Contract

2.1.1 Scope of Services

- Confirmation is still awaited from **tie** that agreement has been reached on a final offer for the Civils and Systems Scopes.
- Confirmation is still awaited from **tie** that CEC has endorsed any departures in the BBS Civils Offer from the SDS Design.
- Negotiations between **tie** and BBS were advised as complete on Schedule 4 to the Infraco Contract Thursday this week. PB is now reviewing the final document.
- Meetings to review the findings from the PB Misalignment Assessment Reports on the BBS Offer and Employer's Requirements have been scheduled for early next week. The PB Requirements Assessment has been completed to version 3.6a. Further revisions to bring the document to version 3.6b were published by **tie** on 03 April. The implications are now being assessed by PB with a view to final release of the Assessment Report early next week.

2.1.2 Programme

- A further detailed review of **tie**'s requirements for SDS Programme delivery dates to align with the latest BBS programme was held on 02 April. More work is required in this area and PB has advised **tie** of instances where construction work scope has not been included on the programme. Despite the delay to closure of the Infraco Contract negotiations **tie** is seeking to maintain a construction start date of 01 June 2008.

2.1.3 Scope of Separate Agreement with **tie**

- This topic was not discussed this week.

2.1.4 Construction Support Proposal

- Agreement has again been delayed on discussions with BBS and **tie** due to higher priorities for BBS and **tie** in closing out the negotiations on the Infraco Contract.

2.1.5 Infraco Terms & Conditions

- **tie** has continued to negotiate with BBS on closure of the Infraco Contract t's and c's. A revised (but not yet final) version was made available to PB on 03 April

2.1.6 Halcrow Collateral Warranty

- Halcrow's position continues to be that there is no contractual obligation to provide a warranty in favour of BBS. The subject is under review with PB and Halcrow legal teams with a view to producing a form of words which would be acceptable to Halcrow.

2.2 Change Requests

tie has yet to issue the remaining paperwork on change orders agreed in principle, although this will have been affected by Damian Sharp being off sick this week. In the intervening time period since closure of outstanding change matters three weeks ago a number of other change requests has now been raised by PB.

2.3 Claims for Prolongation

Negotiations on the Prolongation Claim for £598k have had to be deferred due to Damian Sharp for **tie** being off sick this week.

2.4 Cash flow

With the continuing delay to novation the March AFP will be submitted to **tie** rather than to BBS. The AFP is being prepared for submission next week.

3 Operations

3.1 Edinburgh Tram Network

Nothing further to report this week.

3.2 MUDFA

Only one sub-section set of IFC's remains to be completed (for sub-section 2A). These IFC's will be complete and submitted over the next two weeks. The only remaining activity on PB's support to MUDFA is the incorporation of outstanding sewer information on a set of drawings. **tie** has failed to deliver this information and it is likely that this package of work will be taken on as additional work under the separate agreement with **tie** post-novation.

4 Other Issues

Nothing to report

5 Weekly Look-ahead

- Wednesday. Next Novation Agreement meeting with **tie**
- Starting Monday. Meetings with **tie** to agree the instructions for changes to the SDS Design arising from the Misalignment Assessments

6 Timetable to Infraco Contract Award – **tie** Update

The schedule of key dates remains under review, noting that BBS has advised that the 15 April target cannot be achieved.

- | | |
|------------|---|
| ▪ tba | Final Report to Council from tie . |
| ▪ 15 April | Novation of the SDS Contract. |
| ▪ 15 April | Infraco contract award |