

1 Client Relations

1.1 *tie*

Willie Gallagher is still targeting the 01 May Council Meeting as the forum for presentation of the agreement on the signing of the Infracore, Tramco, and novated SDS Contracts. There is still a volume of detailed work to be completed prior to any of the parties being able to sign up to the process but *tie* has prepared a set of formal letters to be signed by the CEO's of each of the parties in support of Willie's recommendation to Council.

The date of 02 May has been confirmed for formal signing by the parties but this depends upon the suite of contact documentation having been reviewed in full. It is clear that Siemens is anxious to sign as early possible due to pressure on supplier prices and PB is also keen to move to the next phase of work to eradicate inefficiency on the small number of outstanding items of work to be concluded under the current phase of activity. CAF as Tramco has been quiet on the subject as far as we in PB are concerned. Only Bilfinger Berger appears still to be resisting early award but Richard Walker has told me that he is now coming under pressure from his German Board to close the deal as early as possible.

On a separate subject we now have a developing matter of concern with *tie*. On Thursday Jason (Chandler) was handed an unofficial copy of a letter on CEC letterhead referring to a Tram "Design Workbook" The letter is attached here:-



C:\Documents and Settings\reynoldss\Dr

The letter is dated 10 April and addressed to Steven Bell. One concern is that the contents of the letter potentially has a material impact on the timescales for Approvals and Consents and hence impacts the project programme: the same programme which *tie* has been pressuring PB to commit to over the same period of time since 10 April. Having been given an informal copy I contacted Willie Gallagher by phone and it was clear he was embarrassed. *tie* has since tried to close down the issue by suggesting variously that the document is work in progress; not to be applied to the tram design (rather it is to do with the environment outwith the tram alignment itself); of no consequence in as much as any changes can be instructed subsequently; and generally to be ignored. We have refused to accept these responses since it is clear that CEC would not have commissioned a significant study with SDG simply to ignore its contents and if we are to be protected from any changes to be introduced by CEC as a result of the document we need to have sight of it as a point of reference against which to judge any new philosophy which emerges from the Planning Department. The issue remains open and is starting to assume an exaggerated level of importance as a result of *tie*'s refusal thus far to meet our requests, (a) for a copy of the Workbook, and, (b) that *tie* also informs BBS of this development. In the absence of any response and with the legal advice of Watson Burton re our obligations on confidentiality we have now informed BBS of the existence of the document. Hence, this issue is likely to come to a head on Monday.

1.2 City of Edinburgh Council (CEC)

Nothing to report.

1.3 BBS

Richard Walker and I have continued to work closely together to ensure we are aligned on activities which will be undertaken post-novation and that we are closing out any issues on these activities with *tie* prior to contract award. Clearly it is preferable to have any debate /disagreement prior to signature and that is the philosophy we are adopting with *tie*.

2 Commercial

2.1 Novation of the SDS Contract

2.1.1 Scope of Services

- Final definition of the scope of services to be provided by PB under the novated SDS Agreement is now complete save for the agreement on additional scope arising from the review of the revised Employer's Requirements. The scope of work schedules to the Novation Agreement are similarly complete.

2.1.2 Programme

- PB is now satisfied with the status of the project master programme, although it should be noted that the programme will be subject to revision depending (a) on the actions arising from the review of the misalignment between the SDS Design and the Employer's Requirements, and, (b), the post-novation detailed design workshop centred on the BBS Offer vs. the SDS Design

2.1.3 Scope of Separate Agreement with *tie*

- The scope of the direct services to be provided by PB in favour of *tie* has been discussed with *tie* this week with the focus on any outstanding utilities diversion design work. As stated below the remaining scope in this category is minimal and the definition of services is to be redrafted accordingly for final agreement early next week.

2.1.4 Construction Support Proposal

- Agreement on the scope and price of the Construction Support Services remains outstanding with the subject having been relegated in importance in comparison with higher priority BBS /*tie* negotiations. It is essential that this topic is closed out top PB's satisfaction early next week.

2.1.5 Infraco Terms & Conditions

- *tie* has been distributing copies of the Infraco Contract documentation to all parties this week in preparation for signing of the Contract next Friday after the one week review period which had been stipulated by BBS. Watson Burton and ourselves aim to have the review completed by mid next week.

2.1.6 Halcrow Collateral Warranty

- The wording of a collateral warranty from Halcrow in favour of *tie* is now being finalised but is still to be agreed by Halcrow. Halcrow is clearly not enthusiastic about continuing to work on the project and this appears to be colouring the judgement on co-operating with the provision of a collateral warranty

2.2 Change Requests

PB has now completed the submission of change requests, with the exception of the change request to be prepared for changes to bring about alignment with the Employer's Requirements. A meeting has been arranged for Tuesday next week to review and close out remaining actions with a view to all payments being made prior to novation as required under the Agreement.

2.3 Claims for Prolongation

I have advised *tie* that if novation slips beyond the current target of 06 May a further claim will be due against inefficient working for the PB Edinburgh Management Team.

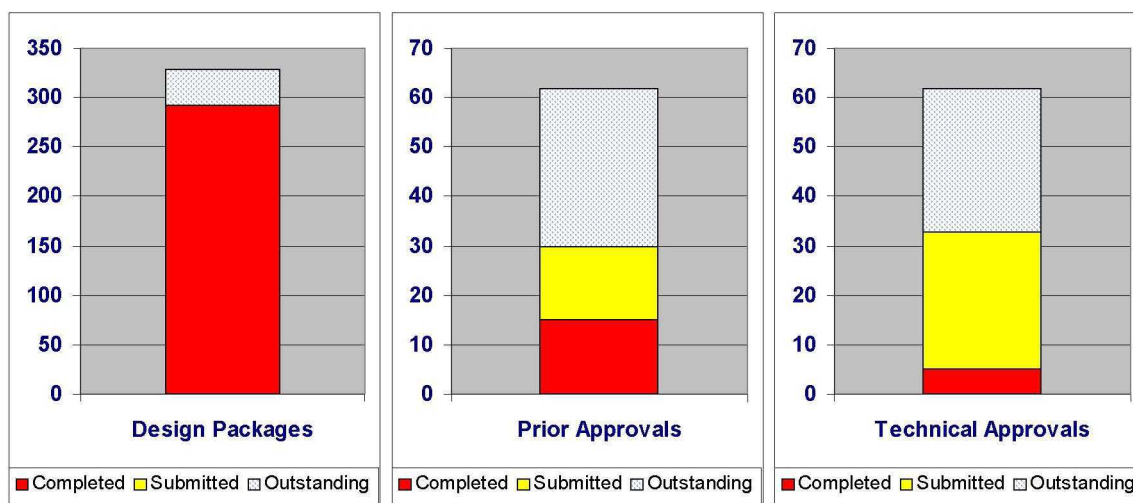
2.4 Cash flow

Two draft Certificates have now been prepared by *tie* in response to the March AFP and in preparation for the final payment due from *tie* at novation. The payment certified provisionally for March is £1.6m and the payment proposed to be due on novation is £1.5m. (Both amounts exclusive of VAT). Key components are the payment in full against the two prolongation claims and the payment of half of the payment outstanding for approval against deliverables submitted to date. (The contract approvals milestone payment equates to 20% of the total deliverable payment, with the relaxation to 10% having been negotiated as part of the novation agreement).

3 Operations

3.1 Edinburgh Tram Network

Progress status in the key areas of detailed design package delivery and approvals submissions is as shown:-



Of the outstanding 32 Prior Approvals submissions 25 have been provided for informal consultation (the stage ahead of formal submission).

3.2 MUDFA

The only remaining activity is final sign off by the Statutory Utility Companies of the IFC packages now out for approval.

4 Other Issues

Nothing to report

5 Weekly Look-ahead

- Tuesday. PB Commercial Issues close-out meeting.
- Friday. Formal signing of the Infraco Contract & Novation Agreement – subject to BBS final review of contract documents and therefore may be delayed further but probably not by more than another week.

6 Timetable to Infraco Contract Award – *tie* Update

The schedule of key dates remains under review, with a date of 06 May as a latest target date for novation. This date could be as early as 01 May depending on Council sign-off.

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| ▪ 24 April | Final Report to Council from <i>tie</i> . |
| ▪ 01 May | Full Council Meeting |
| ▪ 01 - 06 May | Novation of the SDS Contract. |
| ▪ 01 - 06 May | Infraco contract award |