

COMMERCIAL PROPOSALS FOR CONTRACTOR INCENTIVISATION

At the Commercial Meeting held in Verity House on 28th March 2007, AMIS and **tie** agreed that the value engineering incentive proposals incorporated into the MUDFA Agreement no longer operate and will be removed from the Contract. The parties also agreed that an element of contractor incentivisation would be desirable.

It was agreed that a proposal should be developed to create a positive incentive for the MUDFA Contractor on the measurement of its performance on each package of work instructed under a Work Order.

Definitions:

“Work Order” means any order issued by **tie** in accordance with Clause 8.8.1.

“Work Order Confirmation Notice” means the amount in £ sterling of the updated costs associated with a Work Order and issued by **tie** in accordance with Clause 8.8.3 (the target cost for calculation of incentive).

“Re-measurement Value Of Work Done” means the amount in £ sterling of the re-measured costs associated with a Work Order, including assessment, if required, of the defined circumstances, contained within Appendix A of this proposal, that are deemed to be outwith the influence of both **tie** and AMIS (the revised target cost for calculation of incentive). Clause 46 of the Contract will continue to be used for the valuation of changes and re-measurement of Work Orders in accordance with the Contract but will not affect the Re-measurement Value Of Work Done related to this incentivisation proposal.

Process:

(In addition to Clause 49)

Following the completion of all works associated with a Work Order and the final calculation of the Re-measurement Value Of Work Done In Accordance With The

MUDFA Project

Contract Agreement **tie's** representative assesses the difference between the Work Order Confirmation Notice (the target cost for calculation of incentive) and the Re-measurement Value Of Work Done (the revised target cost for calculation of incentive) and advises the MUDFA Contractor accordingly.

If the cumulative Re-measurement Value Of The Work Done for all the Work Orders (Final Account) is less than the cumulative Work Order Confirmation Notices for all the Work Orders the MUDFA Contractor shall be entitled to a payment of 50% (fifty percent) of the difference (The Incentive). Any payment in respect of The Incentive which is due to the MUDFA Contractor shall be included with the Final Account Certificate and paid in accordance with Clauses 49.6, 49.7 and 49.8 of the MUDFA Agreement.

APPENDIX A

The defined circumstances deemed to be outwith the influence of both tie and AMIS which may result in a change or revision to the Work Order Confirmation Notice (target cost for calculation of incentive) are as follows:

1. Unplanned emergency works by a Statutory Utility
2. Work not required as a result of changes to the headline scope of the tram project
3. Additional work required as a result of changes to the headline scope of the tram project
4. Events which frustrate the progress of the works which are beyond the influence of either **tie** or AMIS ie emergency service requirements.