

INFRACO DEAL NEGOTIATIONS

1. We have reviewed your proposed letter and it is not acceptable:-
 - Had access to design information for some time and have greater knowledge of design than is reflected in your proposal
 - Your price based on prelim design includes risk for emerging detailed design changes (accepted not fundamental design changes)
 - It does not represent a real firming up of priceNot good value for tie – couldn't sell this to our board

2. Our proposal to firm up price is:-
 - BBS provide a firm price for
 - Structures
 - Highways (excluding additional cost of Forth Ports current design, Picardy Place, York Place)
 - Tramstops
 - Earthworks
 - This is to be for BBS taking the risk of design development to construction stage, excluding changes to design principles and adding scope. This is to include the scope referred to in Normalisations
 - We recognise that certain things cannot be included as a fixed price within the deal. These are:-
 - Utilities diversions to be transferred from MUDFA
 - Changes to design at Edinburgh Airport
 - Ground conditions risks beyond the agreed baseline
 - Frontage to frontage finishes along Leith Walk
 - Bernard Street(This list must be definitive in any final deal)
 - Based on March 07 completion
 - Based on contract terms as current draft subject to resolution of remaining issues to agreed programme as the Issues List (as at 12/12/07), no revisiting of closed issues, and in accordance with SDS Novation Plan. Note:- contract terms to prevail over any statements relating to contract issues in compliance matrix e.g. statement that BBS only support tie in obtaining consents is not acceptable.

3. For clarity the starting position is BBS bid price plus Infraco normalisations

Bid	£208.7m
Normalisations	£17.8m
 Total	 £226.5m

4. BBS have offered a £8.1m extra for firming up the price. BBS need to revisit this and reduce it to acknowledge the following:-
 - The allowances included in Normalisations for:-

- Additional highways works (wall to wall finishes) - £5.9m
 - Highways – shell grip - £319k
 - Balgreen Road new structure - £750k
 - Structures – S23 Carrick Knowe structure widening - £140k
 - The design development contingency allowances in your original pricing (included in the rates)
 - The structures price reliability provided indicates a low level of risk on the pricing of structures
5. Potential concessions (not to be put forward initially)
- Exclude St Andrews Square from firm price
 - Take Balgreen Road out of fixed element of structures
 - Firm up of Earthworks price following remeasure of sections from MX Model
 - Accommodation works
6. Value Engineering. Move on to fixing this once settled on the principles of firming up the core price. The issue is getting BBS to take as many of these as is possible into the core price.