
From: Colin Matlock
Sent: 14 August 2009 10:46
To: David Crawley
Subject: FW: Message sent on behalf of Richard Jeffrey - CEO

Importance: High

FYI

From: Caroline Weintz
Sent: 13 August 2009 21:07
Subject: Message sent on behalf of Richard Jeffrey - CEO
Importance: High

Dear Colleague

Update on current position with BSC

I can confirm that following all our endeavours to resolve a number of contractual issues over the last months, the **tie** Board has authorised me to activate a formal dispute resolution process with the infrastructure consortium, BSC.

The areas of focus are:

- Responsibility for delay and entitlement to extensions of time
- The impact and reasons for design changes
- Lack of progress
- The level of entitlement to additional payment

We need to honour our confidentiality commitments and so we cannot go into details at the present time but I know that you will have a great many questions. What we can do is explain the process.

We have, from this week, entered into a formal dispute with BSC which may take a number of months, or longer, to resolve.

In addition to the formal contractual disputes BSC has informed us that they will not commence the remaining on street tram works across the City under the current contract or an extension of the Princes Street Supplemental Agreement. Discussions are ongoing with BSC to resolve this impasse.

Under the terms of the contact, all parties are obliged to continue working while the dispute is resolved.

We appreciate that this is very disappointing to all parties concerned. This I know will be particularly so for all of you who have worked extremely hard so far on this project. Equally we know from the support we have had that the Capital would wish us to stand firm in our commitment and in our original agreement with the BSC consortium.

Our priority has been, and will continue to focus 100% on seeking a resolution to disagreement on a number of matters on behalf of the people of Edinburgh. It should also be borne in mind that such disputes regarding certain aspects of any large construction project are quite common.

We have always been clear that we will pay for what is just and offer fair recompense to our contractors as laid out in the tram contract and related documents. We will not accept any attempts to renege on that contract or any instance where the Capital is not getting total value for money.

The issue is now in the public domain and being reported in the media. No matter what is said over the coming weeks we must not let it defer us from the task in hand.

As so much of the information connected with the project is sensitive, particularly at this moment in time, it is essential that should you be approached or contacted by a member of the media that you direct them to either **Caroline Weintz (013 [REDACTED])** or **Gordon Robertson (0131 [REDACTED])**. As we expect a significant level of press interest over the coming days we have set up a temporary Media Centre in the Isambard Room (floor 2, Citypoint) where all media enquiries will be handled.

Thank you for your understanding and continued support for the project at this critical time.

Regards,
Richard Jeffrey