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**From:** Ramsay J (John)  
**Sent:** 12 January 2007 11:22  
**To:** 'Ruane, Nick'; Ware, Julian  
**Cc:** Davis L (Lorna); Savage N (Nadia); Braun V (Volker); McQuade G (Gerard)  
**Subject:** RE: Cost breakdown - Phase 1a / 1b

Folks

Julian / Nick

1<sup>st</sup>: thanks for the table etc, most useful.

2<sup>nd</sup>: At Wednesday's 4 weekly progress report meeting, tie confirmed that their official cost split between Phases 1a and 1b was that used in the DFBC, respectively £500m and £92m - regardless of other previous cost splits - so we should effectively use these as the base for all our considerations.

3<sup>rd</sup>: Tie also promised to provide a disaggregated breakdown table and programme on this basis by middle of next week but the respective risk elements might take longer.

4<sup>th</sup>: This should allow also allow tie to update the overall affordability position following receipt of the 1<sup>st</sup> pass Infracore bids to be opened today, and ourselves to review our headroom analysis.

Finally: You might wish to note that there is a degree of residual sensitivity within tie regarding our preference for a higher level of OB at this stage (20% at least) I emphasised that this only remained acceptable so long as tie pursues a robust approach to risk management levels - something that Cyril Sweett are keen to pursue and to which tie indicated a willingness to assist with over the next few weeks.

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-----Original Message-----

**From:** Ruane, Nick [mailto:Nick.Ruane@KPMG.co.uk]  
**Sent:** 09 January 2007 17:28  
**To:** Ramsay J (John); Davis L (Lorna)  
**Cc:** Ware, Julian  
**Subject:** Cost breakdown - Phase 1a / 1b

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John / Lorna

Following discussions with Julian, please find attached attached an amended cost breakdown table, which agrees with Stewart's figures of £512m (although here £513m due to rounding).

Our figure of £522m was derived by taking £512m as a starting point, to which we added £9.3m. This was because we were advised by Geoff Gilbert at our clarification meeting on 27 November that £9.3m of costs were being shifted from 1b to 1a - we noted at the time that this would have a detrimental effect on 1a's BCR, but not overall affordability of 1a within a £545m envelope. Our minutes reflected this as follows -

**"Costs being moved from 1b to 1a**

JW stated that moving costs from 1a to 1b would have a detrimental effect on 1a's BCR, which may cause problems for the scheme. GG confirmed that £9.3m of costs were being moved from 1b to 1a - £2m related to the completion of detailed design for 1b, the remaining £7.3m to diversion / utilities works costs being incurred concurrently for 1b."

We were not subsequently advised that this £9.3m had been reinstated from 1a to 1b.

I hope this helps, but please give me a call if you wish to discuss.

regards

**Nick Ruane**

Associate

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<<Cost breakdown for parliamentary question v2 - £513m.doc>>

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