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To: Stewart McGarrity; Mark Hamill
Subject: termination options

For the TPB/Council paper we need to consider the option of termination and re-procurement. There are two sub-options, one is that we are ultimately found to have terminated with just cause, the other without. Here are number of costs which are common, the difference is simply how much of that we can recover.

Assumptions

For 'like for like' purposes we would still be planning to complete to newhaven

On termination BSC do not co-operate
We do not have a completed assured design
We do not have access to sub-contractors
We do not have access to as built drawings
We do not novate CAF back

So what we would need to do would be

- Make safe sites etc (£1m)
 - Survey existing built works (£1m)
 - Procure redesign (15m)
 - Procure works (£300m)
 - Risk allowance on above (£50m)
 - Legal fees to fight BSC (£50m)
 - Third party issues (£10m)
 - Tie overhead – 3 years (£18m)
 - Non BSC costs already spent (£200m)
 - Assess fair value of Infraco works to date (£150m)
- Total for above £795m

Then the differences arise

If we are 'right' we recover from BSC the difference between what it cost us and what we should have paid, so requires fair value of BSC contract works, say £380m (allows £80m for legitimate client delays and changes)
So recover would be £795m, less £380, less non BSC costs of say £240m, giving us a nett cost of £620m

If we are 'wrong' we add to the £795m BSC legal costs plus loss of profit etc, say £100m, giving a nett cost of £895m

How does this all sound?

R

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