

AIDE MEMORIE  
MEETING WITH BSC  
16 June 2010 at 14:30

Attendees: David Mackay, Richard Jeffrey, Gordon Wakeford, David Darcy

Overview – direct, sometimes strained but reasonably cordial. No doubt Siemens are in charge and want to do Carlisle. Darcy personally might but may be lingering doubts about BB's hierarchy in Germany.

1	Scope and Programme – not yet agreed but getting close. Drawings signed or being signed.
2.	Scope – papers exchanged and latest details given to RBJ. Note tech might be OK but commercials need close examination. Traditional blockers still there i.e. Roseburn Viaduct, Lochside Avenue, Airport retaining wall/flooding, tram stops.
3.	Still have not started to price but geared up with extra resources (including from Asia). We emphasised our displeasure robustly which put DD very much on the defensive. Also evident that Siemens have sympathy with our criticism.
4.	Again confirmed the layered wedding cake approach which will expose risk costs.
5.	We undertook to turn around the papers they produced quickly and pointed out their failure to do likewise. Once again emphasised that we do not at all accept pricing delay excuses.
6.	Confirmed that any client changes were down to us but if drawings are inaccurate or fail to meet our requirements, the liability is with BSC. Any risks should be built transparently into the price menu and we can either take it or leave it if it doesn't emerge. Quote from GW "drawings will define the working tram." We should also have a joint Risk Register shared between us.
7.	Kitzman has foregone his holiday – big deal!

8.	Programme – comment from GW – “this is not as good as scope”. Now mid September 2012 (was mid November but the testing reduction is now in place). The usual four areas could be mitigated. They are obviously not up to date with TR’s input and we put particular concentration on the fact that TR had emailed MF within hours of Walker’s letter in respect of Network Rail and yet still no response. We stressed that we are struggling to accept 24 months from now. We ignored direct comments that we might incentivise them. They asked us to share the actual Programme Schedule which showed that they could deliver June 2012 “not saying it could not be done but.....”. This is obviously about milestones and liquidated damages. Civils by February 2012 now under pressure.
9.	DJM hammered home design concerns “the smell of fish which would not go away”. Also added ICP and Princes Street and generally made threatening noises about the lack of a complete integration design assurance.
10.	Sub-contractors – confirmed again that we have a seat at the table.
11.	Siemens and BB only want to go through their hierarchy once – this will be the “new contract”. They feared we might not agree techs but were confident we should.
12.	Their Board problems seemed to pose much fewer problems to Siemens than BB. Their main Board is 20 <sup>th</sup> July.
13.	DD explained this would have to be a comprehensive report including cash flow analysis etc. We pointed out that they were “stuffed with our cash”!
14.	Still could achieve by end July although would that be conditional?
15.	Insisted on GMP with very few simple issues which might be ring fenced but understood and agreed by all and not at all like the current position. Reinforced the words “best value”.
16.	Reported that if risk does not materialise then there are both winners and losers “ prices, risk, keep the exceptions to a minimum.”
17.	Design – they confirmed and assured a completed integrated design to Newhaven.
18.	Terminal point is east end of Princes Street.
19.	Total accord that we cannot and must not be where we are today. No prospect of just grinding on.

20.	Debated life post this stage of Carlisle. Agreed we needed to confirm how we circumvent EU and have step-in rights etc. So far as payment is concerned, they either give us back all the money we have paid or we pay the difference including Princes Street.
21.	We discussed the disaster that is Princes Street. They now have the photos but not the report (simply they are not surprised and have been expecting it.)
22.	EOT Prelims – usual nonsense about the Notice of Change by <b>tie</b> and their need to submit a formal request on Prelims i.e. submit an application for payment. Testy argument but RBJ will write to RW yet again.
23.	They understand that the price will be for X kms on off-street works and Y kms for on-street works. We told them we have already priced that internally. It should not be complex. GW said we would have to decouple tech, business and legals. We responded that our legals are sunk costs and so should theirs. They have a great opportunity to cut overheads at Edinburgh Park. Project Notice is CLOSER than Carlisle. Talked about Parliament and John Swinney summons.
24.	Price, price, price and our insistence on GMP.
25.	DD talked about “bearable solution” exit.
26.	Definitely not guaranteed but the alternatives are divorce or termination neither of which are attractive but neither may lie in our control.
27.	Next contact – telephone conference call – 5 July at 16:00 hours for 1 hour. Julie to organise via their PAs. We should not hesitate to speak beforehand if required.

### Conclusion

They have absolutely no doubts whatsoever that we will pull the plug if required.