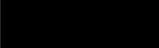


**Bilfinger Berger –Siemens
Consortium**

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tie Limited
Verity House
19 Haymarket Yards
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12th December 2007

Dear Willie,

Further to your letter of 11th December 2007 and our telephone conversation, we too are disappointed at our combined inability to achieve all the measures necessary to fully achieve the pricing objectives of **tie**. However, we are firmly wedded to achieving the goals leading to contract award and a successful contract for all stakeholders. Our response to your particular points 1 to 5, are detailed below:

- 1) Price Confidence – we have considered fixing our price on the information provided and believe that we are able to do this in all areas where the design is available. See attached schedule.
- 2) Price Level – we believe that with the willingness and co-operation of all concerned parties, we will be able to achieve the VE savings targets agreed at preferred bidder date.
- 3) Programme Confidence – we are confident that we can achieve revenue service commencement in February 2011, providing the following assumptions are met:
 - a) SDS design is delivered in line with our programme submitted as part of our August 7th Submission
 - b) Relaxation on multiple junction working in Edinburgh City Centre is achieved
- 4) Contract Closure – Following yesterday's meeting, we believe that all contractual issues can be cut through and resolved in line with our commitment.
- 5) Employer's Requirements – We have submitted today our updated compliance matrix, which we believe aligns with our proposal.

We therefore believe that with the due cognizance of our assumptions (see attached) and the willingness and co-operation of all parties, we will greatly be able to achieve the objectives and move towards a contract award on 28th January 2008.

We look forward to meeting with you in Wiesbaden.

Yours Sincerely

Richard Walker
Managing Director
Bilfinger Berger UK Ltd.

Enclosures: 1. Updated schedule of Clarifications
2. Key Assumptions.

Updated Schedule of Clarifications 12/12/2007

General / Contractual

Items marked 'Provisional' in our August Submission.

1008	Earthworks:	Price can be fixed by adding (Also see Assumptions)	£ 1.0m
1029	Hard & Soft Landscaping	Price can be fixed by adding	£ 0.5m
1033	Traffic Signals – Civil	Price can be fixed by adding	£1.77m
1037	Noise & Vibration – Civil	Price can be fixed by adding	£ 0.3m
	Street Lighting	Price can be fixed by adding	£ 0.5m
	Tramstops – new design provided	Price can be fixed by adding	£ 2.3m
	Balgreen Road Bridge – new design provided	Price can be fixed by adding	£1.75m
			£8.12m

Assumptions

In respect of our pricing and programming certainty exercise we have made the following assumptions:

Design

In those locations where the design is absent, we are not able to fix our price. Typically these include: Picardy Place, St. Andrews Square, London Road, York Place, Forth Ports Area etc.

In areas where design is partial, we have made reasonable assumptions based upon our experience and the existing design information provided. Notwithstanding material design changes we have a high level of confidence in our pricing, e.g. Track Slab, Roads and Pavements, Drainage connections, all as identified in our initial main submission.

In respect of pavements, we have assumed full reuse of existing curbs and flags and minimal reinstatement behind curb lines. i.e. not wall to wall. Design must be delivered by the SDS in line with our construction delivery programme previously submitted.

General

To arrive at price certainty in our earthworks price, we have not allowed for replacement of any materials below earthworks outline. Additionally we have not allowed for dealing with below ground constructions/voids, soft material or any contaminated materials.

Our price does not include for dealing with any utility diversions or for cost incurred by network rail. We have assumed that our proposed railway ballast sourced from Markle Quarry is acceptable for light rail.

All parties must work together to achieve the rationalisation of city centre constraints to achieve programme delivery.

In respect of the depot excavation works, our price is fixed against the quantities advised to us by **tie** and on the assumption that the depot excavation will be handed over to us pumped dry with a firm sound foundation.

Finally we have not taken into account the specific requirement identified in the Third Party Agreement passed to us post Preferred Bidder announcement. We will ensure that **tie** are not placed in breach of their obligations through the actions of our construction works.