

Edinburgh Tram Network

Project Carlisle

Project termination limit

11-08-2010

Edinburgh

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ETN Project Project Carlisle – Termination Limit

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Background Project Carlisle – Termination Limit:

Siemens presented price for project Carlisle based on the following:

- Scope: Section A Airport – Haymarket; Section B Haymarket – East end of Princes street
- All material regarding section East end of Princes Street until Newhaven was included
- 14 months extension of time (end date 18.11.12)

→ Price increase in comparison to GEM Q3/2010 by GBP 24'678

Customer expectation: no increase in contractual price, based on higher credits for installation and material not to be delivered!

Reaction of client:

- access to storage facilities was requested
- 4 letters preparing termination of contract were received during the last few days

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Siemens Strategy:

- Negotiations are going to be lead based on the project Carlisle Pricing.
- Negotiation limits were set based on PM calculation (based on 100% productivity not as within EoT I 78%) forwarded by subsystems excluding factors, including 17% margin as accepted formerly in EoT I.
- If tie decides to terminate the contract with Infracore Siemens decided to further lower their limit, due to the fact that termination and the respective litigation is expected to be tedious and will further increase the respective costs for Siemens. Therefore a second "termination" limit shall be prepared.

Termination limit

Material:

In order to reach our termination limit the material price to be purchased by tie has to be lowered, therefore the materials shall be divided into the following categories

- A) Material already installed
- B) Material already ordered, manufactured and stored
- C) Material already ordered, but not manufactured
- D) Material for which a contract is in place but has not yet been effectively ordered with supplier
- E) Material not ordered, no contract in place, warning has to be issued regarding last possible purchasing date

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Additionally an investigation shall be conducted, regarding

Category A material: Can it be used for another project within Siemens, if yes to which cost (warranty extension, adaption, ...)

Category B material: Can it be used for another project within Siemens, if yes to which cost (warranty extension, adaption, ...)

Category C material: Can it be used for another project within Siemens or cancellation of order & to which cost (loss of profit claim from sub supplier,...)

Category D material: Is a claim from sub supplier to be expected if Siemens does not issue order (increase of unit prices section A)

Category E material: no further contract negotiations to take place, warning if delivery time becomes critical

Information has to be provided divided into the sections A Airport-Haymarket, Haymarket – York Place, York Place - Newhaven

Installation:

In order to reach our lowest limit the installation price has to be further broken down.

- A) Installation already ordered, cancellation costs to be investigated
- B) Installation for which a contract is in place but has not yet been effectively ordered with supplier; cancellation costs to be investigated
- C) Installation not ordered, no contract in place, warning has to be issued regarding last possible purchasing date

Again all three sections (A Airport- Haymarket, Haymarket – York Place and York Place – Newhaven) have to be investigated.

Requested documentation:

- Contracts in place
- Orders in place
- official documentation (letters) regarding claims sub suppliers, request for cancelling orders, increase in unit rates....

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Additionally we would like to ask you to reassess your PM-calculation.

Always keeping in mind:

“Is this function or involvement percentage really necessary?”

“Would I risk a termination of contract for this?”

“Can I combine functions with other subsystems”

“Do I have additional potential lowering the price?”