



## **Project Phoenix 2011/12/16 Estimate Ed 1**

This document has been created in order to update the costs incurred by CAF due to the change on dates detected on the new ETN programme.

The figures given here are based on the information provided by the programme that CAF has prepared (Attached document "CAF Programme - Project Phoenix after High Mediation\_20011216"). "CAF Programme - Project Phoenix after High Mediation\_20011216" programme has been prepared based CAF's best understanding on the information provided on BSC programme "ETN Programme following Mediation 8 to 12 March 2011 Revision 2 (110331) Prioritised Works", also attached.

### **TSA & TMA amounts agreed during mediation at Mar Hall**

	<b>TOTAL amounts euros</b>	<b>Outstanding amount euros</b>
<b>PROJECT PHOENIX Fixed amount</b>	5.100.00,00 €	<b>5.100.00,00 €</b>
<b>PROJECT PHOENIX Variable amount (maximum until agreed dates)</b>	466.000,00 €	<b>466.000,00 €</b>
	5.566.000 €	<b>5.566.000€</b>

The agreement reached at Mar Hall also stated that after the final agreed dates for availability of Depot and Mini test-track, if further delays occurred, TSA/TMA provisions would apply from these dates onward.





## CAF cost associated with Project Phoenix - Assumptions:

- The Delay Costs below are generated by delays incurred by the Edinburgh Tram Project and formalized/agreed with Project Phoenix, not Project Phoenix itself or the new scope of works for Infracore. They include the claims presently held by CAF for other delay claims (MUDFA, ETN, etc.) still unresolved, under TSA . There would be no double recovery, so if Project Phoenix would be retained by tie, any past or future unresolved claims for delay generated costs previous to the latest Phoenix project plan would be settled with these amounts.
- The amounts due to CAF under the TSA/TMA still unpaid (in relation to TSA milestones achieved or pending, MoV with relation to First Tram, or other agreed undisputed payments prior to Mediation at Mar Hall) have not been the subject of the Mediation talks, and are due or will become due according to TSA/TMA milestones or dates , and are not included in this summary. For instance, Commissioning milestones will become due when Commissioning is achieved, as per the agreements in the HoT that tie and CAF have agreed (that Commissioning payments will be paid when all Commissioning possible at mini-test track will be performed, notwithstanding CAF's duty to complete the remaining Commissioning tests when relevant resources (full track) becomes available.
- CAF has assumed tie will continue to pay Tram Delivery Milestones as per its present policy. CAF has assumed the Commissioning Milestones will not be paid until the mini-test track allows Commissioning tests to occur, and therefore they will be delayed, incurring Delay Costs. This assumptions have been used to assess the financial impact of the delay in payments according to TSA/TMA provisions.
- CAF has analyzed the Infrastructure availability during the Commissioning phase and has had to re-schedule the tram commissioning program to ensure that there will be enough trams commissioned so that no delay is introduced in the start of service. As required by the Consortium in Project Phoenix, these delays in tram commissioning should not generate LDs to CAF (as the tramways are being delivered to date and are available for commissioning as contractually required), as is reflected in the Head of Terms between tie and CAF.
- The cost of the maintenance of tramways will decrease due to less kilometers of service per year, while the line is not completed. We estimate the number of kilometers will amount to a quantity smaller than what is foreseen in the TMA, and therefore needs to be agreed, logically the cost per kilometer will be higher than the costs agreed, although the total Maintenance Cost according to the TMA will be smaller. CAF has not the information to fully estimate that TMA price reduction (year – kilometers targeted by tie under Project Phoenix), and it is not included in the amounts below. A proposal to tie has been made, and agreement should be reached in the negotiations for the Novation of the TMA.





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The Delay costs have been estimated according to the Project Phoenix Proposal Programme Rev 2. For ease of readers, we have used the same headings as for the documents discussed at Mar Hall.

The Grand Total amount here below is to be added to the amounts agreed with tie at Mar Hall (see above first page) in order to account for the new dates included at the latest Phoenix program released (see annexed documents).



GENERAL COST		Phoenix High Mediation date 2011/12/16		Phoenix Date at Mar Hall	New Phoenix date 2011/12/16
1	Extended warranties for On Board Equipment	220.753,62	euro	24/06/2013	27/10/2013
2	Technical office	N.A			
3	Consultancy firms for Tech. Office	N.A			
4	Project Management	56.721,37	euro	22/09/2013	24/01/2014
5	Maintenance Department cost	186.028,42	euro	22/09/2013	24/01/2014
6	CAF Legal Department	21.141,07	euro	22/09/2013	24/01/2014
7	CAF Commercial Department	21.141,07	euro	22/09/2013	24/01/2014
8	Financial impact	-2.903,11	euro	According to Commissioning dates	
9	Foreign Exchange	To be defined		Bank information	
10	Bond	-2.958,49	euro	15/05/2013	26/02/2013
<b>Total 1</b>		<b>499.923,95</b>	<b>euro</b>		
COST FOR TRAM STORAGE in IRUN		COSTS			
11	Parking at CAF IRUN	N.A			
12	Parking at RENFE IRUN	N.A			
13	Security for the trams at CAF Irun	13.351,50	euro	+Three months delayed	
13	Security for the trams at RENFE Irun	71.540,00	euro	+Three months delayed	
14	Insurances	20.845,76	euro	+Three months delayed	
15	Additional Couplings & Uncoupling	N.A			
16	Normal Maintenance	N.A			
17	Long Term Maintenance	N.A			
<b>Total 2</b>		<b>105.737,26</b>	<b>euro</b>		
COST FOR TRAMS CONSERVATION AT GOGAR		COSTS			
18	Conservation Activities	507.445,24	euro	12/04/2013	14/02/2014
<b>Total 3</b>		<b>507.445,24</b>	<b>euro</b>		
COST FOR TRAMS TEST ACCELERATION		COSTS			
19	Acceleration	N.A			
<b>Total 4</b>		<b>0,00</b>	<b>euro</b>		
<b>GRAND TOTAL (1+2+3+4)</b>		<b>1.113.106,44</b>	<b>euro</b>		





## **1- Extended warranties for On Board Equipment**

Under Tram Supply Agreement (TSA), CAF must provide certain warranties for the On Board Equipment installed on the trams according to the definition of Primary Tram Warranty Period on Tram Supply Agreement. These warranties are subcontracted back to back to the suppliers of the tram subsystems in most cases, and must be longer under the new dates, as they start with the delivery of the said systems to CAF, instead of the beginning of service in Edinburgh.

According to TSA, the definition given for Primary Tram Warranty Period for each Tram is a period of 2 years commencing on the Tram Maintenance Commencement Date. The Tram Maintenance Commencement date, defined as per TSA programme, is 18 April 2011. Therefore, Primary Tram Warranty Period start on the 18 of April 2011 and it is finished on the 17 April 2013

CAF must value the extension of the warranties for on board equipment according with the programme provided. Taking this BSC programme into account, the commencement of shadow running will be a date later than contractual one, as per TSA programme.

## **2- Technical office**

Not Applicable, as not affected by delays post Mar Hall.

## **3- Consultancy firms for Technical Office**

Not Applicable, as not affected by delays post Mar Hall.

## **4- Project Management**

CAF's project management is required to be available over the extended period. The estimate is based on delay between the TSA contractual programme and CAF programme for this delay based on BSC programme for this delay.

## **5- Maintenance Department cost**

The estimate given here is based on the costs incurred due to delays on the project.

In order to give an estimate, CAF has made the assumption that the Maintenance team must be fully deployed. Obviously, if the assumption is not true the estimate will be reviewed accordingly. This is consistent with the need to maintain unused trams while track sections are not available, and the need to





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perform shadow running and Commissioning during an extended period of time, as the track sections become available at a slower rate than contractually foreseen.

The contractual date, as per TSA programme, to start the maintenance project is at the commencement of Shadow Running on 18 April 2011. This date is moved now as per Activity ID "310"- Commencement of Revenue Service Phase 1a Edinburgh Airport to Haymarket" according to BSC programme.

The Maintenance Team is made of:

- 1 Maintenance manager
- 1 local engineer
- 1 local administrative person
- 6 technicians: 1 CAF technician and 5 local technicians:
  - CAF technician meaning a person moved to Edinburgh from CAF. This is an option that may not be required depending on the mobilization period or that may not be required for the full delayed period.

## **6- CAF Legal Department**

CAF's Legal Department is required to be available over the extended period. The estimate is based on delay between the TSA contractual programme and CAF programme for this delay based on BSC programme for this scenario.

## **7- CAF Commercial Department**

CAF's Commercial Department is required to be available over the extended period, to attend project meetings, etc.. The estimate is based on delay between the TSA contractual programme and CAF programme for this delay based on BSC programme for this scenario.

## **8- Financial cost**

The delayed payment profile will also result in CAF incurring additional interest costs in respect of its working capital facility.

The calculation is based on an additional 2% interest above to the Royal Bank of Scotland rate of 0.5%, as specified in TSA and TMA. The Royal Bank of Scotland will be updated when an agreement is reached.





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## **9- Foreign Exchange**

Tie and CAF entered into a precontract (two months before signature of the TSA/TMA) in order to arrange hedging of Sterling/Euro exchange rates at the dates of payments of the TSA project, so no exchange rate risk was incurred by neither party. As a consequence of delay the profile of payments due to CAF is extended beyond the duration of the hedging arrangement. The arrangement must be updated to the new payment dates, which has banking costs.

AS per previous estimates this figure cannot be assessed until the exact delay is known as the figure changes on daily basis.

CAF will provide this figure when an agreement is reached.

## **10- Performance Bond**

According to TSA, CAF had to provide a performance bond that expired at the commissioning of the 27<sup>th</sup> tram. That date was, contractually, the 4<sup>nd</sup> of February 2011. CAF issued the Performance Bond with an expiring date of 28<sup>th</sup> of February 2011.

The cost here is related with the delay on the commissioning of the last tram of the fleet as per the programmes of this delay. CAF has already prepared the first rider for the performance bond with 6 month delayed date, expiring 28 August 2011.

## **11- Parking at CAF IRUN**

Not Applicable, as not affected by delays post Mar Hall. CAF arrangements to mitigate delay costs provided a parking cost not-time related.

## **12- Parking at RENFE IRUN**

Not Applicable, as not affected by delays post Mar Hall. CAF arrangements to mitigate delay costs provided a parking cost not-time related.

## **13- Security for trams**

Additional security put in place to ensure the trams are safely stored.





- Security inside CAF Irun is performed at night shift 7 days per week in the storage area. At week-ends or holidays, the security is increased to 24 hours.
- Security at Renfe Irun is performed at 24 hours and 7 days per week in the storage area. Initially, one security person was forecasted for the work but it was considered as not enough. Presently, there are two security people to keep the trams in safe conditions

#### **14- Insurances**

Transfer of title and risk is past over to our client on the date when the Certificate of Tram Commissioning for each tram has been issued. As the commissioning of the Trams is being delayed, the date at which risk and title of each Tram will transfer title and risk will also be delayed. Accordingly, the period over which CAF will need to insure the Trams will be extended.

Here is the detailed cost for extended insurance according with the delayed dates of this estimate. Those delayed dates are calculated comparing Contractual delivery dates and equivalent dates on CAF Programme – MUDFA 2, meaning dates for the end of “Tram’s Preparation after storage and depot tests”.

#### **15- Additional Couplings & Uncoupling**

Not Applicable, as not affected by delays post Mar Hall.

#### **16- Normal Maintenance**

Not Applicable, as not affected by delays post Mar Hall.

#### **17- Long Term Maintenance**

Not Applicable, as not affected by delays post Mar Hall.

#### **18- Conservation Activities**

CAF has made the assumption that:

- This section is detailed in case that when CAF achieves all possible tests, the trams need to be stored “alive”. This means that the trams will be stored but they will be ready, on a permanent basis, in order to be put into operation in order to continue with the remaining test and commissioning programme as soon as there are relevant track sections become available.

For this purpose, CAF will deploy a team made of:

- A Conservation Manager





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- Three technicians.

## 19- Acceleration

Not Applicable, as not affected by delays post Mar Hall.

Documents for this estimate:

Project Phoenix-20111216 - Detailed information (This document)

CAF Programme - Project Phoenix after High Mediation\_20011216

ETN Programme following Mediation 8 to 12 March 2011 Revision 2 (110331) Prioritised Works