

1 Client Relations

1.1 *tie*

There was no weekly meeting with Willie Gallagher this week. My communications with him have been via email and phone. Willie failed to honour his commitment to signature of the claim settlement Legal Agreement on Monday. My interpretation of the phone conversation with him on the subject on Tuesday was that a clearly embarrassed Willie was trying to defer signature until other project issues, (involving BBS and CEC as well as SDS), had been resolved. In the circumstances I decided to write to *tie* giving three days notice for signature. I sent the letter on Thursday morning, this being the latest point to secure a response prior to the convening of the Tram Project Board on Wednesday next week. As a result of that action I have now received assurance from Steven Bell that the Agreement is to be signed on Tuesday. I have also received feedback from Damian Sharp that he has also spoken with Willie and in response to a question as to whether the Agreement should be signed Damian has confirmed that it should be. Damian has advised that the paperwork is to be completed on Monday so this aligns with Steven Bell's advice on a Tuesday signature.

On the subject of Infraco Contract Financial Close the revised date of 13 February for the issue of a Letter of Intent to BBS is now looking to be in jeopardy. I understand that several significant issues remain outstanding for agreement between *tie* and BBS and prolonged meetings have taken place this week with DLA as *tie*'s Lawyers. Seemingly Siemens submitted a substantial price increase on Wednesday evening and this led to "fraught" discussion which resulted in the increase being reduced to a still-significant sum but one which I am told leaves the overall offer within bounds. Current advice is still that next Wednesday's Tram Project Board will be charged with issuing notification of agreement to proceed but that the detail is likely to take some time to close out prior to actual contract award. Willie's holiday (in South Africa) is still planned and he will be away from Edinburgh from the evening of the 13th until 03 March.

1.2 City of Edinburgh Council (CEC)

Nothing further to report.

1.3 BBS

Nothing further to report. Two technical meetings have taken place with BBS and *tie* this week but the task to work with BBS to agree the detail scope and programme for completion of the remaining parts of SDS Agreement is still to be addressed.

2 Commercial

2.1 Contract

2.1.1 Employer's Requirements

PB has now completed the review of the revised set of Employer's Requirements produced by *tie* as version 3.1. A significant number of differences between the ERs and the SDS Design has been identified. A formal report under cover of legal disclaimer is now to be submitted to *tie*.

PB has now been provided with a copy of the BBS Offer for the systems scope of the scheme. PB is to provide comments on the document in the context of the SDS design.

PB has also requested a copy of the BBS civils offer. PB was advised two weeks ago, (by Matthew Crosse), that BBS had priced the SDS design in totality but from the two technical meetings this week it is clear that this is not the case. The fact that repeated requests have been made this week and that no document has yet been provided gives cause for concern. Clarity of scope, covering required to changes to the SDS design, and gaps between the SDS design and the BBS offer, has to be achieved as an integral part of the novation planning process.

2.1.2 Novation

SDS contractual matters have progressed rather more slowly than had been expected due to most of the *tie* senior management team being diverted onto the negotiations with BBS. The meeting scheduled for Friday for detailed discussion of the SDS Novation Agreement did not go ahead. A conference call scheduled for Tuesday did go ahead with DLA, *tie*, and Chris Atkins representing PB in attendance. Constructive progress was made and the number of issues to be resolved is small but significant. In order to draw the discussions to a conclusion we have requested from *tie* an updated issue of the Novation Agreement incorporating all of *tie*'s proposed revisions. This will then be used as the basis for objective debate. The document has been promised by DLA as soon as possible next week, but with the observation that it can only be completed once the results of the continuing negotiations with BBS - insofar as they affect the Novation Agreement - have been taken on board. Once we have had that meeting a detailed report will be produced for PB internal review such that we are all prepared well in advance of the need to sign the Agreement.

On the subject of a separate contractual arrangement between *tie* and PB for the provision of services not subject to novation there has been no progress.

2.2 Change Requests

Additional Change Orders have been received this week. *tie* has committed to clearance of all remaining agreed changes at the Tram Project Board next Wednesday; this meeting being the vehicle for agreeing significant project change sums of the magnitude associated with several of the remaining SDS changes. All the indications are that Damian Sharp is honouring his commitments and persuading others that the Change Orders should be confirmed.

2.3 Claims for Prolongation

As highlighted above, signature of the Legal Agreement for the outstanding prolongation claim has now been promised for Tuesday 12 February.

The meetings which had been scheduled on Monday and Thursday this week to review with Steven Bell, the claim for additional management and supervision services recently presented to *tie* did not take place. (Again due to the impact of the extended negotiation meetings with BBS) I will pursue this topic next week.

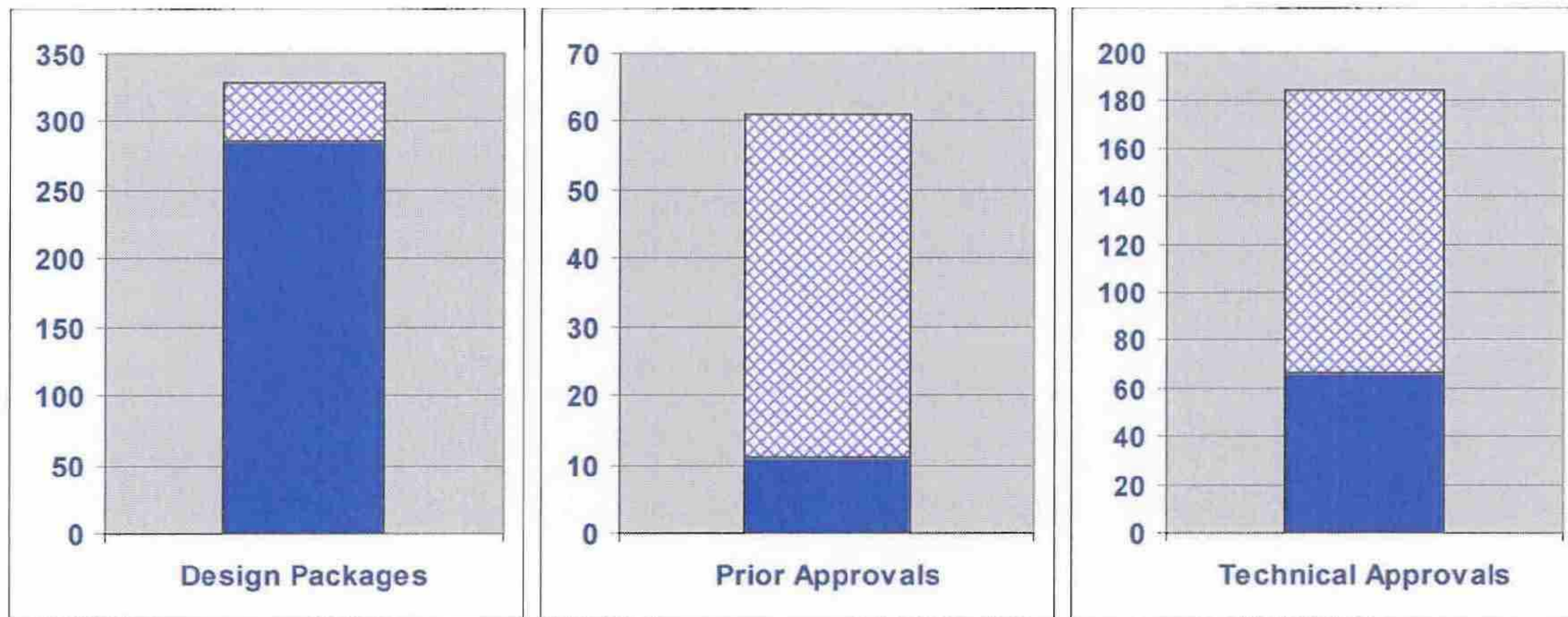
2.4 Cashflow

Late on Friday I was informed that the November AFP has now been signed. I will advise the certified value early next week. The meeting to review the January AFP is scheduled for later next week.

3 Operations

3.1 Edinburgh Tram Network

Current status on design package submission to *tie*; prior approvals secured from CEC; and Technical Approvals secured from the Approval Bodies remains as follows:-



3.2 MUDFA

Nothing further to report this week. Progress is continuing in line with forecast.

4 Other Issues

Nothing to report

5 Weekly Look-ahead

- Monday. Meeting with Damian Sharp to define current completion status of the SDS Contract components.
- Tuesday. Meeting with Willie Gallagher to finalise signatures on the Legal Agreement for the PB Prolongation Claim.
- Tuesday. (Provisional). SDS Novation meeting with PB, *tie*, and DLA.
- Wednesday. Tram Project Board.
- Thursday. Meeting with Damian Sharp to secure agreement to the latest Application for Payment and to determine any commercial /financial matters to be resolved prior to novation.
- Friday. Critical Issues Meeting. (D Crawley, *tie*, Chair)
- tba. Scope of work definition meetings with *tie* and BBS – to define any changes to design scope post novation
- Daily until 08 February. Employer's Requirements review meetings with *tie*

6 Timetable to Infraco Contract Award - Update

- 13 February. Final Report to Council from *tie*.
- 13 February + 2 weeks. Novation of the SDS Contract.
- 13 February + 2 weeks. Infraco contract award

These dates likely to slip.

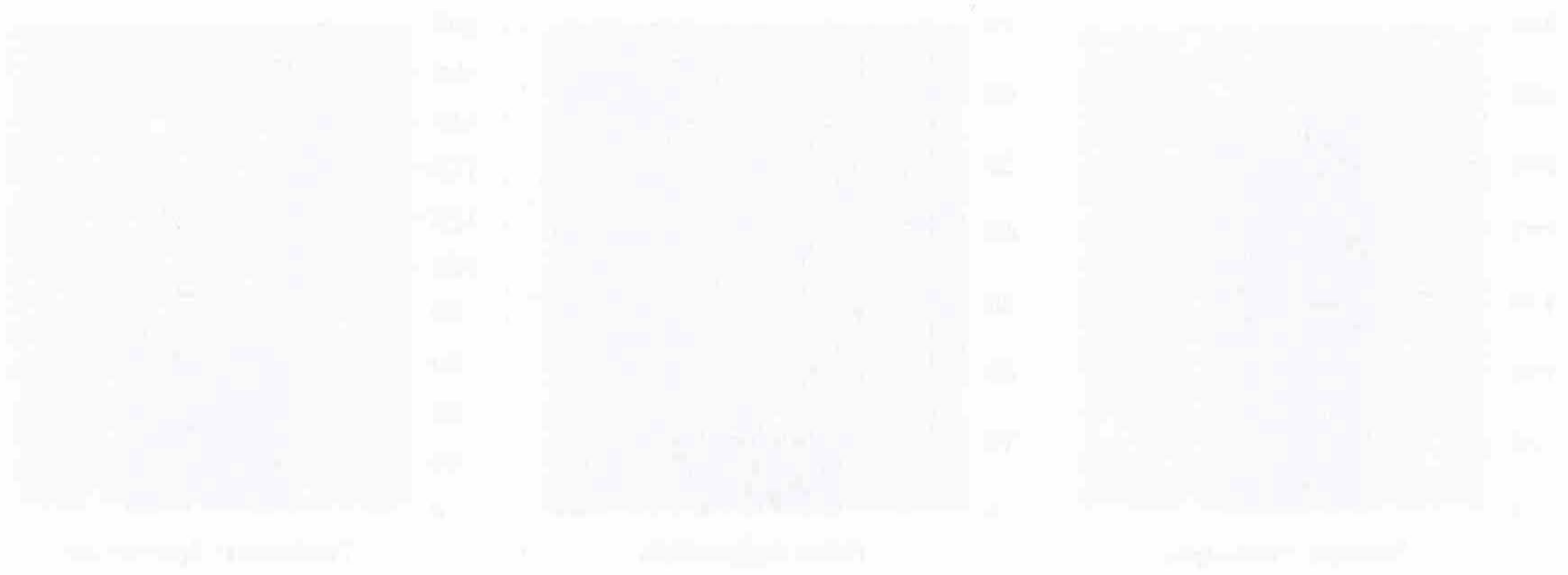


Figure 1

Part of the data is missing for the period between 1st and 31st January.

Figure 2

Figure 3

Figure 4

- 1. The data shows that the number of cases is generally low, with a peak in the summer months.
- 2. The number of new cases is also low, with a peak in the summer months.
- 3. The number of old cases is relatively stable throughout the year, with a slight increase in the winter months.
- 4. The data is missing for the period between 1st and 31st January.
- 5. The total number of cases is the sum of new and old cases.
- 6. The data shows that the number of cases is generally low, with a peak in the summer months.
- 7. The number of new cases is also low, with a peak in the summer months.
- 8. The number of old cases is relatively stable throughout the year, with a slight increase in the winter months.
- 9. The data is missing for the period between 1st and 31st January.
- 10. The total number of cases is the sum of new and old cases.

Figure 5

Category	Value
Total	100
New	50
Old	50