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05 JUN 2008

Mr David Smith
MUDFA Project Director
Carillion Utility Services
Western Harbour
Leith Docks
Edinburgh
EH6 6QF

Our Ref: DEL.MUDFA.8820.JC.GB

Your Ref: AMIS/tie/letter/KAG/Projects/833

Date: 3 June 2008

Dear David,

**EDINBURGH TRAM PROJECT - MUDFA
Schedule Four Rates & Prices**

We acknowledge receipt of your letter and enclosures dated 11 March 2008, referenced above, and confirm as follows:

As previously advised during meetings, we neither agree nor accept your assertions regarding 'the suitability or integrity' of the agreed Schedule Four Rates and Prices. In recognition of tie's position you produced the submission dated 11th March 2007. We have reviewed the comments and details contained within your submission and confirm our position remains unchanged, i.e. the agreed Schedule Four Rates and Prices do not require to be reviewed, amended or adjusted.

In accordance with Clause 6.2.2 of the Agreement the rates and prices within the Schedule Four Rates and Prices cover all AMIS's obligations under the Agreement and are in accordance with the Preamble to the Bill of Quantities. In accordance with Clause 6.2.2 there are ten number specific assumptions which clarify and detail the assumptions made by AMIS in compiling the Schedule Four Rates and Prices, as detailed in Carp Part 10 – Miscellaneous Matters which is incorporated in Schedule 4 of the Agreement. None of the items listed within the AMIS submission are contained within the Carp Part 10 – Miscellaneous Matters and as such the agreed all inclusive Schedule Four Rates and Prices cannot be deemed to be 'predicated' upon same.

own inspection and examination... and on call information whether obtainable by it or made available by tie. Also x-Ref with Clause 10

not assumptions supported by full f's & c's. Clause 8, 10 & 16

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Notwithstanding the above please find below our comments to your specific points as follows:

1. The Schedule Four total linear meterage quantity is 24,662 metres.
In accordance with Clause 50.1 we confirm *'the quantities set out in the Bills of Quantities are the estimated quantities of the work and they are not to be taken as actual and correct quantities of the MUDFA Works to be carried out by the MUDFA Contractor in fulfilment of its obligations under the Agreement'*.

Clause 51.2 states *'notwithstanding that the actual quantities carried out in respect of any item is greater or less than those stated in the Bills of Quantities, there shall be no increase or decrease in the rates in the Bills of Quantities in consequence thereof'*.

In light of the above there is no requirement to review, amend or adjust the Schedule Four Rates and Prices in respect of the volume of work undertaken.

2. The Prime Cost and Provisional Sums do not establish a maximum additional diversion length over and above item 1 above. As defined within the Agreement these items provide a contingency for carrying out works which shall be valued in accordance with the rates and prices contained within Schedule 4. We disagree with the AMIS assessed quantity of 18,932 metres which appears to be a minimum of 9,000 metres lower than expected if, as we understand you have done, apply an average rate per metre.

In accordance with Clause 51.2, as stated in item 1 above, there is no requirement to review, amend or adjust the Schedule Four Rates and Prices in respect of the volume of work undertaken.

3. In accordance with Clause 51.2, as stated in item 1 above, any reduction in the quantity of utility diversions through value engineering does not result in a requirement to review, amend or adjust the Schedule Four Rates and Prices.
4. The Schedule Eight Contract Programme provided by AMIS does not define the *'modus operandi'* nor the *'operational premis'* as contended by AMIS, but does provide a sequence of works and durations to establish the total duration for the whole works.

X-ref with Tender / CRP.

are the limited quantity Schedule 4
is just the BOQ; it is the BOQ & PC / PS

-Detail
in
Submission

In accordance with ~~Clause 35~~ the Agreement contemplates that the Schedule Eight Contract Programme will be developed and updated in accordance with the requirements of Schedule 1 Scope of Works and Services *and the Contract 5,10*

Schedule 1 Pre-Construction Programme Clauses 2.3 to 2.3.11 confirms the MUDFA Contractor will develop the Pre-Construction Programme into a detailed and comprehensive programme for approval by tie. ✓ *confirm*

Schedule 1 Clause 2.4 confirms the MUDFA Contractor shall develop the Pre-Construction Programme to meet the minimum requirements contained within Clauses 2.4.1 to 2.4.8. ✓ *confirm*

Schedule 1 Clause 2.5 confirms the MUDFA Contractor shall take into account alternative materials or components when developing the Pre-Construction Programme. ✓ *confirm*

Schedule 1 Clause 2.6 confirms the MUDFA Contractor shall update the Pre-Construction Programme every two weeks and provide a report fulfilling the requirements of Clauses 2.6.1 to 2.6.10. ✓ *confirm*

Schedule 1 Clauses 2.7 to 2.7.19 confirms the MUDFA Contractor shall develop the Construction Programme into a detailed and comprehensive programme for approval by tie.

Schedule 1 Clause 2.8 confirms the MUDFA Contractor shall develop the Construction Programme to meet the minimum requirements contained within Clauses 2.8.1 to 2.8.8

Schedule 1 Clause 3 confirms the MUDFA Contractor shall update the Construction Programme every four weeks and produce monthly reports to include the requirements of Clauses 3.1.1 to 3.1.20.

In addition Clause 8.10 of the Agreement anticipates amendments and changes to the Construction Programme as the Work Order Proposals are finalised and issued. As a result;

- Clause 8.10.1 of the Agreement requires a risk assessment and method statement for each Work Section and
- Clause 8.10.2 of the Agreement requires a Work Section Programme and any other relevant programme information to be prepared and issued by the MUDFA Contractor for each Work Section.

The above confirms the Work Section details would be finalised and made available during the Pre-Construction and Construction phase's and the MUDFA Contractors 'modus operandi' and 'operational premise' would be determined with the submission of each Work Order as detailed within Clause 8.10 of the Agreement.

subject to clause 46 change

*5,10
46
the point of all this?*

the point is... change -46!!

In light of the above there is no requirement to review, amend or adjust the Schedule Four Rates and Prices.

5. A complete set of the Schedule 13 Requirements were issued to AMIS prior to the development of the Revision 6 Programme. These have been incorporated within the Revision 6 Programme for the works as per Appendix C to Letter Reference DEL.MUDFA.7658.JC.GB – MUDFA Works Programme (Rev.06 Final); Programme Notes and Assumptions, Item 13. The only caveat being that the BAA requirements were a draft version and not the final agreement with BAA. The final BAA agreement and associated requirements were issued after the completion of the Revision 6 Programme.

The effects, if any, associated with the Schedule 13 Requirements have been incorporated in the Revision 6 Programme and form part of the *'full and final settlement of all issues which originate, relate to or are associated with the works up to and including the 30th September 2007'* as contained within the AMIS Settlement Agreement Up To & Including 30th September 2007 as detailed and agreed in document reference DEL.MUDFA.7658.JC.GB. The issue of the Schedule 13 Requirements does not therefore result in a requirement to review, amend or adjust the Schedule Four Rates and Prices.

NO.
AGREED
AS A
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TO
CHANGE.
NOT IN
SETTLEMENT

6. Tie do not agree with AMIS's view that the completion of all enabling works and advance construction works was required by no later than 31st March 2007. Notwithstanding the above we confirm this issue forms part of the *'full and final settlement of all issues which originate, relate to or are associated with the works up to and including the 30th September 2007'* as contained within the AMIS Settlement Agreement referred to in item 5 above as such there is no requirement to review, amend or adjust the Schedule Four Rates and Prices.

Note: the actual enabling works are undertaken in advance of the commencement of the utility diversion works and carried out by dedicated resources specifically procured to ensure the utility diversion resources are fully utilised diverting utilities only.

refs
to
unapproved
consequences

7. tie do not agree with AMIS's view that the completion of the IFC Designs and Design related information was required by no later than 21st December 2006 Notwithstanding the above we confirm this issue forms part of the *'full and final settlement of all issues which originate, relate to or are associated with the works up to and including the 30th September 2007'* as contained within the

statement of fact

— after 30/09/07 it does.

AMIS Settlement Agreement referred to in item 5 above. The completion of the IFC Designs and Design related information does not therefore result in a requirement to review, amend or adjust the Schedule Four Rates and Prices.

8. Tie does not agree with AMIS's view regarding the robustness and accuracy of the IFC Designs and Design related information to support adherence to the Schedule Eight Programme. Notwithstanding the above we confirm this issue forms part of the 'full and final settlement of all issues which originate, relate to or are associated with the works up to and including the 30th September 2007' as contained within the AMIS Settlement Agreement Up To & Including 30th September 2007 as detailed and agreed in document reference DEL.MUDFA.7658.JC.GB. The robustness and accuracy of the IFC Designs and Design related information to support adherence to the Schedule Eight Programme does not therefore result in a requirement to review, amend or adjust the Schedule Four Rates and Prices.

- after 30/09/07 it does

why? not.

9. Tie does not agree with AMIS's view regarding the completion of all Traffic Management Designs and Temporary Traffic Regulation Orders (TTRO's) by 9th January 2007. The Agreement anticipates the preparation, submission and approval of Traffic Management Design and TTRO's throughout the construction phase of the works as detailed in Schedule 1 Clauses 2.7, 3.9, 3.14 and all related relevant sub-clauses. The completion of all Traffic Management Designs and TTRO's does not result in a requirement to review, amend or adjust the Schedule Four Rates and Prices.

- All PCs acknowledged by tie as non compliant

10. The administration of the MUDFA Contract does not impact on the Schedule Four Rates and Prices and therefore does not result in a requirement to review, amend or adjust the Schedule Four Rates and Prices.

why not

It is a matter of record that a number of the issues referred to by AMIS in their submission including the level of management support and anticipated duration of the works have been dealt with in the Revision 06 Programme. These issues are also included in the 'full and final settlement of all issues which originate, relate to or are associated with the works up to and including the 30th September 2007' as contained within the signed and completed AMIS Settlement Agreement Up To & Including 30th September 2007 as detailed and agreed in document reference DEL.MUDFA.7658.JC.GB.

after 30/09/07

... agreed w/r/t

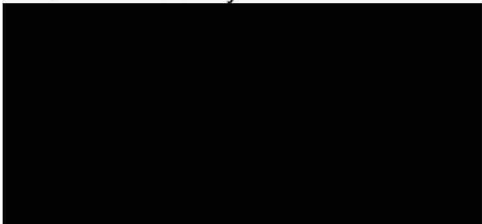
~~We have reviewed the 'synopsis of the submission' contained within Appendix 'A' of your submission and reject your proposal for a cost plus management fee of 15% arrangement.~~

In light of the above, and for the avoidance of doubt, we reiterate our position that the Schedule Four Rates and Prices do not require to be reviewed, amended or adjusted.

We would also confirm that the variance in certification (up to and including interim certificate No 17) related to the aforementioned rate issues is circa £78,000.

We trust you will find the above to be in order and request that you contact our Mr Casserly if you wish discuss any aspect further.

Yours sincerely



Graeme Barclay
Construction Director – MUDFA

cc: John Casserly, Dennis Murray, Steve Bell, Thomas Caldwell.