



Infrastructure Services

MUDFA Project
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Ref: AMIS/tie/letter/KAG/Projects/250

15th June 2007

Mr. Graeme Barclay
tie MUDFA Utilities Construction Director
tie Limited.
Verity House,
19 Haymarket Yards,
Edinburgh.
EH12 5BH

Dear Graeme,

Subject: MUDFA Alfred McAlpine Infrastructure Services (AMIS) – Contract A150
Correspondence Discussed at Commercial Meeting on 15th May 2007

Thank you for your letter Ref: DEL.MUDFA.789.JC.GB dated 30th May 2007 in connection with the above.

A number of the comments and actions have been superseded by correspondence, subsequent local Commercial Meetings and/or the Commercial Meeting of 23rd May 2007.

Our response therefore, assuming the sequence adopted by you, is as follows: -

a. AMIS/tie/letter/AM/Projects/196 – SDS Design Support Services. Thumbnail Outline Design Sketches.

Update: Record of Discussions and Action are agreed. The critical issue not presently addressed is our letter Ref; AMIS/tie/letter/AM/Projects/114 dated 27th February 2007. A formal response from tie Limited to our comments and observations, after a period of fifteen weeks, is now critical and substantially overdue.

Additionally I would comment that AMIS MUDFA have provided, in support of the SDS Provider Design Services, on the basis of our 27th February 2007 letter, a total of twenty three separate Thumbnail Outline Design Sketch submissions (covering approximately one hundred SDS Provider Drawings) under cover of the following letter references, each prefixed with AMIS/tie/letter/AM/Projects;

- 144, 145, 146, 147, 196, 197, 200, 201, 202, 204, 213, 214, 215, 216, 219, 230, 231, 232, 233, 235, 243, 244 and 245.

These submissions cover the circa eleven week period between and 2nd April and 12th June 2007.

To date AMIS MUDFA have received neither comment, requirement for clarification or IFC Design Drawings to support Schedule Adherence under Revision 05 of the tie Limited and Stakeholder Constrained Programme. However, please find attached a marked up copy of



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Drawing ULE90130-01-UTL-00313, featuring our comments on the design detail and definition. Your comments in this respect would be appreciated.

Furthermore the updated and revised SDS Provider Utility Drawings seen in advance of the re-issue do not accurately reflect the technical details submitted by AMIS MUDFA and will require further working and re-issue to secure Issue For Construction (IFC) approval.

b. AMIS/tie/letter/AM/Projects/195 – Overhead & Profit Recovery

Update: Record of Discussions and Action predominately agreed, however please amend by insertion of the word "defined" between "Profit" and "Insurance". Both actions remain outstanding at this time.

c. AMIS/tie/letter/AM/Projects/194 – Commercial Meeting Schedule.

Update: Record of Discussions and Action are agreed, however recent events have contributed to the deferment and cancellation of several meetings and AMIS MUDFA request the structure and discipline be reinvigorated, with a clear focus on resolution of issues.

d. AMIS/tie/letter/AM/Projects/192 – Ingliston Park and Ride Extension

Update: Record of Discussions and Action are agreed. AMIS MUDFA declined to bid for the Tender, as advised at the Progress Meeting number 8, held on 24th May 2007 due to workscope risk relating to technical definition and co-ordination.

The costs associated with our bid for the project are presently being finalised and will be available week commencing 18th June 2007 (approximately £7k).

e. AMIS/tie/letter/AM/Projects/190 – Change Control Ref.020

Update: Record of Discussions and Action are agreed. As tie Limited acknowledge three copies of drawings are appropriate under the Contract no further justification is required for our entitlement in this respect given only one copy was provided under Pre-Construction Services (PCS) and AMIS MUDFA costs have been demonstrated in full.

f. AMIS/tie/letter/AM/Projects/187 – Risk and Trade Off Proposal for Section 1A.

Update: Record of Discussions and Action are challenged. AMIS MUDFA wish to record there were no issues with our draft proposal and it would be jointly developed as the Risk and Trade Off process was introduced.



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Subsequently AMIS MUDFA expended substantial effort in this area to offset and mitigate cost expenditure and have since learned that no direct and beneficial work is now possible in this area, i.e. further delays.

g. AMIS/tie/letter/AM/Projects/184 – Change Notice No.5, tie Limited Vehicles

Update: Record of Discussions and Action are challenged. In the first instance AMIS MUDFA challenged the veracity of the tie Limited "Notes of Commercial Meeting" dated 28th March 2007 and wish the contemporaneous records to reflect this.

The action on AMIS MUDFA to substantiate the cost of the vehicles instructed by tie Limited under Change Order 005 will be addressed week commencing 18th June 2007.

h. AMIS/tie/letter/AM/Projects/183 – Cost Profile for Preliminary Items

Update: Record of Discussions and Action are predominately agreed. However, AMIS MUDFA would request that the statement "tie confirmed that AMIS should be working to the Rev 05 programme until instructed otherwise" be amended to "tie confirmed that AMIS should be working to the Rev 05 programme and providing all necessary resources until instructed otherwise".

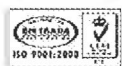
AMIS MUDFA also noted in the discussions that Revision 05 of the programme was approved under Clause 35 of the MUDFA terms and conditions.

The balance of this action was discussed at the Commercial Meeting of 23rd May 2007, with actions that flowed from that consensus. Notwithstanding at this stage AMIS MUDFA are significantly concerned in terms of securing a labour force in a timely manner at mitigated cost.

i. AMIS/tie/letter/AM/Projects/186 – Construction Services Rates & Prices

Update: Record of Discussions and Action are predominately agreed, with the following statements added to reflect the discussions, by way of clarification and totality.

- AMIS MUDFA rates and prices are based on the Tender drawings, Schedule 8 Programme and the Addendum to the Preambles scheduling the MUDFA Contractor's CARP Submission, i.e. qualifications and assumptions.
- The health, safety and environmental risks associated with the integrity of the IFC Designs for the trial site, if replicated across the full MUDFA works, would have a significant impact on Schedule compliance.



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Please refer to AMIS MUDFA letter Ref; AMIS/tie/letter/KAG/Projects/239 dated 12th June 2007 by way of illustration and risk mitigation proposals.

- Fourth point should be amended to state "AMIS confirmed Revision 05 of the tie Limited and Stakeholder Constrained (formerly Imposed) Programme....." deleting "AMIS confirmed their tender".
- Pre-Construction Services (PCS) contemplates the progressive release of the IFC drawings, with the first 25% issued on 16th January 2007, as indicated on the approved AMIS MUDFA PCS Programme. This equates to circa 325 IFC drawings, complete with Bill of Quantities (with Specification references, Conflicts Register and HAZID logs).
- Schedule One of the MUDFA Agreement, together with Clause 48, Value Engineering Incentive, both contemplate reduction in the "Tender total", which would necessitate comprehensive access to both the IFC drawings and the emerging design, in accordance with the integrated programme.

Furthermore the realignment of AMIS MUDFA Risk Register to the tie Limited ARM Risk Register is still awaiting issue for AMIS MUDFA comments.

- The Risk Workshop held on the 17th May 2007 proved a worthwhile initial exploratory meeting. The subsequent meeting scheduled for 7th June 2007 was cancelled by tie Limited and needs to be re-scheduled.
- The input of AMIS MUDFA in respect of Risk and tie Limited assumptions is stipulated in Schedule One, Clauses 5.1.1, 5.1.2 and 5.1.4. Your attention is drawn to AMIS MUDFA letters Ref. AMIS/tie/letter/KAG/Projects/006, 012 and 069 dated 27th October 2006, 1st November 2006 and 19th January 2007 respectively. Accordingly by our records no deliverables have been received to date.
- The meeting also discussed the AMIS MUDFA "Report and Recommendation to Manage the 'Gateway' from Pre-Construction Services to Construction Services" and the need to review progress achieved to date against the eight recommendations detailed under Section 5, Conclusion and Way Forward.

This action remains outstanding and the lateness of the reply has virtually superseded the gateway period, namely three months.

Please note these comments are not intended to be exhaustive. The meeting of 15th May 2007 discussed a number of issues and the above comments and observations are made by way of clarification and the need for totality in our contemporaneous records.



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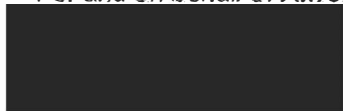


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Yours sincerely,
For and on behalf of **Alfred McAlpine Infrastructure Services Ltd**



Andrew Malkin
MUDFA AMIS Project Director

Copies:-
tie Project Team
John Casserly

MUDFA Project Team
Keith Gourlay / Taryne Lowe
Steve Hudson
Alan Robertson
Rob Memmott



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