



Infrastructure Services

MUDFA Project
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Ref: AMIS/tie/letter/TL/Projects/779

14th February 2008

Mr. Graeme Barclay
tie MUDFA Utilities Construction Director
tie Limited.
Citypoint,
1st Floor,
65 Haymarket Terrace,
Edinburgh.
EH12 5HD

Dear Graeme,

Subject: MUDFA Alfred McAlpine Infrastructure Services (AMIS) – Contract A150
Withdrawal of Work Order Proposals and Changes.

The following concerns all the current construction activities being undertaken by AMIS MUDFA.

Specifically it addresses two major elements of the MUDFA Agreement where tie Limited have failed to discharge their obligations in full. As a consequence this failure has imposed an increased risk profile and an increase in commercial and contractual exposure to AMIS MUDFA that necessitates formal notice under the Contract.

The issues are as follows:-

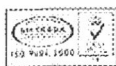
1) tie Limited failure to comply with Clause 8 of the Contract Requirements

AMIS MUDFA concerns expressed;

- Letter Ref: AMIS/tie/letter/KAG/Projects/547 dated 25th October 2007;
- Letter Ref: AMIS/tie/letter/TL/Projects/738 dated 23rd January 2008 and
- Numerous commercial meetings, most recently the meetings held on 29th January, 5th and 12th February 2008 where tie Limited stated that the backlog would be addressed without further delay, in order to mitigate risk, commercial risk and exposure.

The above list is not intended to be exhaustive, however given the nature and significance of the issue, together with assurances provided by the Tram Director, Mr. Steven Bell it is wholly inappropriate and unacceptable that all current Work Orders are proceeding on Confirmation Of Verbal Instruction (CVI's), and where tie Limited have consistently indicated on these CVI's that a formal Work Order Confirmation Notice with comments would be issued.

Given the failure of tie Limited to discharge their obligations under Clause 8.8.3.3 this effectively renders all Work Order Proposals submitted under 8.8.8.2 null and void. For all intents and purposes, in accordance with Clause 8.8 of the Contract no construction works should have been commenced. Notwithstanding works have commenced, as you are aware, purely to support tie Limited.





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2) tie Limited failure to administer Clause 46 of the Contract

To date AMIS MUDFA are outstanding in excess of 400 Change Orders.

Most of these Changes have been proposed by AMIS MUDFA in accordance with Clause 46.17 of the Contract. In recognition of tie Limited's failure to serve a Notice of Change accepting the AMIS MUDFA proposed Estimate and in recognition of the criticality in carrying out the additional activities (so as not to jeopardise the performance of the project), AMIS MUDFA have continued in good faith on the majority of Changes regardless of the increased commercial exposure.

This has been highlighted in many of the Change Control and Commercial meetings held to date.

In recognition of the assurances provided by senior representatives of tie Limited in recent months, none of which have been transmitted into compliance with Clause 8, AMIS MUDFA hereby confirm that we are only prepared to with the process as prescribed under the Contract.

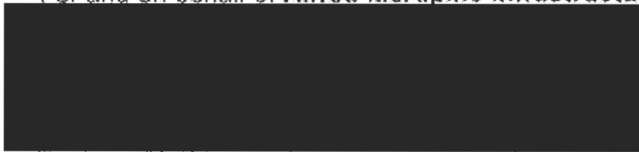
As a remedy, if the matter is not addressed within ten working days, all Work Orders and Change Orders submitted to date, where tie Limited have not discharged their obligations, in full under the Contract will be withdrawn. A full list will be comprised and forwarded in due course.

The costs associated with these works will be evaluated on actual cost incurred by AMIS MUDFA plus 15% basis in accordance with the precedence already approved by tie Limited.

I look forward to this matter being addressed in full, by no later than close of business on 28th February 2007.

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

Roddy Aves

Gil Cielland

Taryne Lowe

