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Brinckerhoff

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9/06/05
141
[Redacted]

Mr Ian Kendall
[Redacted] limited
Verity House
19 Haymarket Yards
Edinburgh
EH12 5BH

8 June 2005

Your Ref: 40.02.03.01.02/IK/CN

Dear Ian

SDS TENDER CLARIFICATIONS

I refer to your two letters both dated 2 June 2005 on the above. Our Programme Comments and Pricing Schedule Comments are attached together with the Table with our Pricing Adjustments for proposed amendments to the SDS Agreement.

The two questions asked in your second letter are answered as follows:-

Question

Insurance clarification - Employer's Liability - 2.6 - is contractual liability included?

Answer

Yes

Question

insurance clarification - PII - 3.5 - please further develop response to previous clarification

Answer

Our PI insurance is a "global" policy covering the activities of all of our Business Units and covers all of our Services under the SDS Agreement including the SDS/JRC Modelling Suite.

As we discussed at our meeting on the 26th May we are keen to work to gaining a better understanding of some of the terms and conditions so we are able to accept them.

Notwithstanding this, you will see that we still have had some difficulty in making pricing clarifications on the basis of acceptance of original drafting. For example with Clause 3.4 on risks associated with ground conditions etc, we would require our responsibilities and risks to be restricted to design issues only and not to any construction related issues which may arise during the course of the construction contract but would welcome the opportunity to discuss this further with you. We consider that some other clauses if not amended impose an impractical obligation on the consultant.

We would welcome a further opportunity to discuss and resolve these outstanding issues with you. I assure you of our commitment to providing you with a first class service on this world-class project.

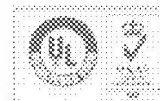
Yours sincerely

[Redacted Signature]

MIKE JENKINS
Director of Rail, **EAME**
Parsons Brinckerhoff

Enc: Tender Clarification

Over a Century of
Engineering Excellence



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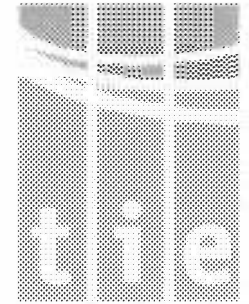


Edinburgh Tram Network

Procurement of SDS Provider

Tender Clarification: Parsons Brinckerhoff

1 June 2005



The Tenderer is required to complete the table as shown and confirm that the information shown in the table is accurate and represents all of the drafting amendments and pricing adjustments which the Tenderer wishes to offer to tie as its Optional Variant Tender.

Clause	Tenderers Required Amendment to SDS Agreement to reflect Optional Variant	Pricing Clarification (if any) to Standard Tender on the basis of Tenderers acceptance of original drafting			Pricing Adjustment to Standard Tender on the basis of tie's acceptance of Optional Variant drafting			Comments
		Line One	Line Two	Combined	Line One	Line Two	Combined	
Definition of "Client Default"	As per mark up submitted on 14 April 2005.	£Included	£Included	£Included	£Included	£Included	£Included	PB to give price adjustment for required amendment.
Definition of "Force Majeure"	"Industrial action and natural disasters" to be added as Force Majeure events	£140,000	£100,000	£250,000	£Included	£Included	£Included	PB to give price adjustment for required amendment.
Clause 3.4 (Design risk associated with ground conditions etc)	Fair and equitable drafting of this clause needs to be agreed which limit obligations to design issues.	Unfair obligation. Propose that project contingency is held by Client	Unfair obligation. Propose that project contingency is held by Client	Unfair obligation. Propose that project contingency is held by Client	£Included	£Included	£Included	PB to confirm proposed drafting amendment and give price adjustment for required amendment
Clause 3.5 (Design to ensure construction productivity)	Insertion of "use best endeavours" standard	Impractical obligation on consultant	Impractical obligation on consultant	Impractical obligation on consultant	£Included	£Included	£Included	PB to give price adjustment for required amendment.

Clause	Tenderers Required Amendment to SDS Agreement to reflect Optional Variant	Pricing Clarification (if any) to Standard Tender on the basis of Tenderers acceptance of original drafting			Pricing Adjustment to Standard Tender on the basis of tie's acceptance of Optional Variant drafting			Comments
		Line One	Line Two	Combined	Line One	Line Two	Combined	
Clause 5 (Consents)	No amendment necessary. Potential savings can be realised by tie if the works are procured on a cost-basis to achieve Best Value (please see narrative below and in tender). Survey and consent costs are also provided within the narrative below.	£Included	£Included	£Included	£Included	£Included	£Included	PB to confirm proposed drafting amendment and give price adjustment for required amendment. PB to also give a breakdown of costs associated with the obtaining of Consents.
Clause 7.5.3 (Entitlement to extensions of time)	Line 5 delete expression "reasonable foresight and diligence" and replace with "reasonable skill, care and diligence". Reason is that 'foresight' is not a commercial word and could result in future disagreements as to what constitutes "reasonable foresight".	£140,000	£100,000	£250,000	£Included	£Included	£Included	PB to confirm proposed drafting amendment and give price adjustment for required amendment.
Clause 7.6.4 (Advice to Client on foreseeable consequential effects)	Lines 2/3 delete words "any foreseeable consequential effect of the application of that recommendation" and replace with "any direct effect of the application of	£140,000	£100,000	£250,000	£Included	£Included	£Included	PB to confirm proposed drafting amendment and give price adjustment for required amendment.

Clause	Tenderers Required Amendment to SBS Agreement to reflect Optional Variant	Pricing Clarification (if any) to Standard Tender on the basis of Tenderers acceptance of original drafting			Pricing Adjustment to Standard Tender on the basis of tie's acceptance of Optional Variant drafting			Comments
		Line One	Line Two	Combined	Line One	Line Two	Combined	
	<i>that recommendation using reasonable skill, care and diligence". Reasoning same as 7.5.3 above.</i>							
Clause 9.5 (Collateral Warranties)	As per mark up submitted on 14 April 2005. In particular all parties have difficulty with 7.4.1	Impractical obligation on consultant at this stage of the project cycle	Impractical obligation on consultant at this stage of the project cycle	Impractical obligation on consultant at this stage of the project cycle	£Included	£Included	£Included	PB to specify which of PB's proposed sub-contractors cannot give collateral warranties and give price adjustment for required amendment
Clause 12.7 (Novation Retention)	Provision of a retention bond in lieu. Retention bond priced at: Line 1: £12,000 Line 2: £9,000 Lines 1 and 2: £15,250	£325,000	£240,000	£420,000	£Included	£Included	£Included	PB to give a price for a retention bond.
Clause 13.2 (Withholding of Payment)	As per mark up submitted on 14 April 2005.	£140,000	£100,000	£250,000	£Included	£Included	£Included	PB to give price adjustment for required amendment.
Clause 17.3 (Provision of Broker's Letter)	Obligation is on PB to respond to Client queries, not the Broker.	£140,000	£100,000	£250,000	£Included	£Included	£Included	PB to confirm position as to provision of a broker's letter.
Clause 18.2 (Errors and/or	As per mark up submitted on 14 April 2005.	Unable to accept original	Unable to accept original	Unable to accept original	£Included	£Included	£Included	PB to give price adjustment for required amendment.

Clause	Tenderers Required Amendment to SDS Agreement to reflect Optional Variant	Pricing Clarification (if any) to Standard Tender on the basis of Tenderers acceptance of original drafting			Pricing Adjustment to Standard Tender on the basis of tie's acceptance of Optional Variant drafting			Comments
		Line One	Line Two	Combined	Line One	Line Two	Combined	
Omissions)		drafting	drafting	drafting				
Clause 27 (Indemnities)	As per mark up submitted on 14 April 2005, PB propose to maintain our previously rejected wording capping liability, but to recognise latest comment by tie by adding at end after ten million pounds "each and every claim other than in respect of claims arising from pollution or contamination where the limit of indemnity applies to any one claim and in total during the policy period"	Unable to accept original drafting	Unable to accept original drafting	Unable to accept original drafting	£Included	£Included	£Included	PB to confirm proposed drafting amendment and give price adjustment for required amendment. A proposal to cap liability on an aggregate basis based on the level of PII cover would conflict with your acceptance to provide PII cover on an each and every claim basis.

Clause	Tenderers Required Amendment to SDS Agreement to reflect Optional Variant	Pricing Clarification (if any) to Standard Tender on the basis of Tenderers acceptance of original drafting			Pricing Adjustment to Standard Tender on the basis of Ue's acceptance of Optional Variant drafting			Comments
		Line One	Line Two	Combined	Line One	Line Two	Combined	
Clause 32 (IPR)	<p>Fair and equitable drafting of this clause needs to be agreed to ensure that:</p> <p>1. Existing PB legal obligations with third parties are not compromised. This applies in a number of instances and could significantly impact our ability to achieve the construction savings outlined in our bid.</p> <p>2. The outputs of research and development being undertaken by PB would be done in conjunction with the project team thus maximising benefits to both the company and project. As this R&D is largely funded by PB we would need to retain the IPR whilst granting the client reasonable rights for the project.</p> <p>Our legal advisors are looking into this and we would welcome a meeting to agree equitable terms when they have concluded their review.</p>	<p>£140,000</p> <p>If we comply with the original drafting, we will not be able to pursue the full £25M construction cost saving potential, which will reduce to possibly only £10M.</p>	<p>£100,000</p> <p>If we comply with the original drafting, we will not be able to pursue the full £25M construction cost saving potential, which will reduce to possibly only £10M.</p>	<p>£250,000</p> <p>If we comply with the original drafting, we will not be able to pursue the full £25M construction cost saving potential, which will reduce to possibly only £10M.</p>	£Included	£Excluded	£Included	<p>PB to clarify proposed drafting amendment with regard to the provision of sub-contractor's IPR and give price adjustment for required amendment.</p>

On behalf of **Parsons Brinckerhoff**, I confirm that the above table represents our Optional Variant Tender to **He**. I acknowledge that **he**'s decision will be final as to which of our proposed amendments to the Standard Terms and Conditions and associated pricing adjustment from our Optional Variant Tender are accepted. I further confirm that we shall not seek to otherwise amend the Standard Terms and Conditions. I acknowledge that all other conditions of this tender process apply and it shall be at the discretion of **he** to assess our compliance with **he**'s instructions.



SC Reynolds

Parsons Brinckerhoff

Amber Court, William Armstrong Drive, Newcastle upon Tyne NE4 7YQ

8th June 2005

Authorised signatory (Signed)*

Name

Name of Firm / Company

Registered Office

Date

*Evidence of the authority of the signatory is required.

Evidence provided within original bill: Power of Attorney

Parsons Brinckerhoff

Tender Amounts following arithmetical checking

Tenderer	Tender Price Line 1 & 2	Tender Price Line 1	Tender Price Line 2
PB	£25,472,581	£19,914,574	£14,449,159

Pricing Schedule Comments;

Points Requiring Confirmation, Further Details and/or Clarification

All Options

Design Summaries (pages 15-19)

All areas priced similarly – risk not reflected – please clarify

The design concerns location specific elements and system wide elements. It was our original intention to price the schedules 'street-by-street', but as pricing progressed the logic of distributing the design of system wide elements into the location specific tramstop sectors became unwieldy and unrealistic. We thus elected to standardise the pricing on the assumption that each sector requires a similar design contribution. It is acknowledged that some sectors will require a greater effort and some less. Therefore, our approach was to evaluate the full route as a total and then split out by sector; overall we are satisfied that the costs will balance out, although it should be noted that the 'critical' sectors requiring the greater effort arise early in the programme.

Prelim Design looks high compared with Detail Design – please clarify

The distribution of costs between preliminary and detailed design is within our design approach and thus our pricing strategy. We plan to maximise the design development work undertaken during the Preliminary Design phase, achieving further development here where practical, thus reducing the overall inputs at Detail Design phase.

Provisional Additional Work (page 96)

Additional provisional sum of £100,000 inserted in respect of Travel Subsistence which should be included within rates

The scale of travel and subsistence cost will depend upon the home location of the resource, extent of travel, the need for temporary base/accommodation in Edinburgh, and your particular requirements for the call-on/off deployment. We have offered these costs as a Provisional Sum, to be managed and controlled by tie; this approach we believe represents Best Value for tie with travel and subsistence costs to be paid when they actually arise.

Should tie prefer the costs to be included in the rates then the following rate adjustments will be required to page 96 of the Pricing Schedules:

Senior Designer	£78/hour
Principal Designer	£95/hour

Line 1 and 2

SDS Management (page 8)

a) and b) PI and other insurances priced 'Included' – Costs require to be identified separately

It is normal industry practice to include insurances within the build up of staff hourly rates and they are thus 'included'. PB carries PII and other insurances as part of the cost of doing business and these costs are part of the corporate overhead. It is 'built-in' to our hourly cost rates make-up, regardless of whether a Client chooses to take separate or project insurances; such a decision by the Client would not impact the continuation of existing policies (and the associated costs) and thus discounts on rates will not arise. The mechanism for distributing these costs to each member of staff is within our resource cost / payroll department, which we will be pleased to explain on award.

c) Co-location – Statement inserted in regard to potential saving of £200,000 – Please confirm saving

We have not taken the saving forward at this stage, as the status of the new tie office remains unclear. If tie are able to confirm the office availability and facilities then the saving will be realised and the stated sum can be deducted from our tender. Our evaluation of office facilities has assumed the following:

9,000sqft accommodation with meeting room facilities
capacity for 25 workstations (4 tie, 20 PB core team, 1 spare/hotdesk)
full IT equipment with file server, WAN link, ISDN Broadband and PCs

2 plotters
photocopier, fax machine, 3 printers, scanner
telephone network
75m linear storage
drinks machine

We have evaluated these facilities at a running rate of £10,000 per month over the 20month design period and thus forecast a saving of £200,000 should tie be in a position to supply the accommodation and facilities. Beyond the 20month design period we have assumed being co-located with the Infraco for the completion of our services.

d) Infraco procurement services priced as included -- Costs require to be identified separately

The Infraco Procurement service has been priced as an integral part of our Project and Technical management cost. There is a degree of functionality overlap here within our technical and management resources, a ring fenced dedicated team is not considered to be appropriate and hence a ring-fenced price not readily identifiable. Specifications will be drafted from within the technical design teams, spread over the design period, requiring a wide mix of discipline inputs. There will also be a proportion of management time to collate and manage the production; it has been assumed that the SDS provider takes responsibility for the technical documentation and technical support, whilst tie and other advisors will manage the commercial components and the procurement process. This work is not readily separated from the technical day to day functions across the multi-discipline team.

e) Inflation allowance -- statement made that price inflation covered to end 2009 -- Costs require to be identified separately

Inflation has been built into our cost rates at the rate of 4% per annum to cover increases in salaries and other costs. This allowance can be extracted from our price build up across the Pricing Schedules, although the exercise will take at least one week to complete and check and is not possible within the present timescale. If you require, we will be happy to undertake this work following award of the contract.

f) Commissioning support priced as included - Costs require to be identified separately

The Commissioning Support service has been priced as an integral part of our Project and Technical management cost. There is a degree of functionality overlap here within our management resources, but the specific technical commitment for commissioning support is detailed below.

Input into testing, commissioning and operations: £375k

g) SDS support for management of defects specifically excluded - statement that this is to be paid as Additional Provisional Work -- This cost must be identified separately over and above the sums inserted.

We note that you are asking for PB to give a price with unknown parameters. We are unaware of the terms of the Infraco Contract, the defects liability period within this Contract, the final scope of work and the quality of construction. This is an unreasonable requirement given that the performance of the Infraco cannot be known. The facility exists within the contract and pricing schedules for such work to be paid for as Additional Provisional Work. Our approach provides tie with Best Value, only paying for the management of defects as the need arises. Since tie require us to price this item we have selected a hypothetical quantum for this work, based on 2 people for 2 years plus expenses, which will attract costs in the order of £300,000. However, as there remains

uncertainty we would increase our estimate by 33% to the order of £400,000 for work in this two-year period. Work beyond this two-year period will attract further costs.

Further Scope: Costs Identified Separately (page 95)

Fees to Statutory and other bodies - £300,000 – Should not be regarded as Provisional Sum

This work is not regarded as a Provisional Sum, we have priced as a lump sum within Further Scope (the design pricing schedules are indicative and Tenderers are to detail any further scope to fulfil their full obligations); we elected not to incorporate these sums within our design price but identify them separately.

Due to the uncertainty in pricing, the may wish to consider reimbursement for these items on a cost+ basis to achieve Best Value.

Surveys - £2,300,000 – Should not be regarded as Provisional Sum

This work is not regarded as a Provisional Sum, we have priced as a lump sum within Further Scope (the design pricing schedules are indicative and Tenderers are to detail any further scope to fulfil their full obligations); we elected not to incorporate these sums within our design price but identify them separately.

Due to the uncertainty in pricing, the may wish to consider reimbursement for these items on a cost+ basis to achieve Best Value.

Surveys	Price £k
Road Condition surveys	50
Ground penetrating radar	100
Ground investigation and geotechnical surveys	250
Contamination, pollution, air and water quality surveys	75
Photographic surveys	50
Topographical surveys	25
Hydrographic surveys	50
Archaeological surveys	75
Structural, building & cellar surveys	100
Condition of structure surveys	100
Undertake Network Rail asset investigation study and prepare accurate engineering drawings for input into the detailed design process and network Rail agreements	150
Environmental and ecological surveys	100

Noise and vibration baseline surveys	150
Pre and post construction noise and vibration surveys	150
Pre condition dilapidation surveys of vulnerable third party structures	75
Frontager surveys	50
Radio surveys	25
Computer traffic/transport modelling	350
Traffic and Public Transport Surveys	100
3D representational modelling	100
EMC surveys-post construction	100
Stray current surveys-baseline	25
Stray current surveys-post construction	50
	2,300
PLANNING APPLICATIONS	
2,300 x £130 = £299,000 say £300,000	300

Line 1

Tender Summary (page 1):

Transport Modelling Cost - same amount shown against Line 1 as for Line 2 – Please Clarify

While we recognise that the two routes are very different in nature, our experience in examining other schemes within the city, would suggest that the introduction of either **line** would have impacts on traffic movements across **the** city. Accordingly, in order to assess the schemes and **any associated** mitigation measures, a city-wide approach would be required and our proposals reflect this in addition to the specifics of each route.

More specifically, the design **focus** for Line 1 would be the city centre, encompassing Princes Street **and** Leith Walk, **along** with wider area effects and **key** junctions along the alignment. **For Line 2**, the main focus **of** design would also include the City Centre (Princes Street) **and** the demand flows associated with Edinburgh Airport and West Edinburgh. The Parliamentary Committee raised a number of specific issues associated with the modelling along the alignment of both routes, and the proposed demand forecasting modelling methodology has been designed to satisfactorily **address** the model calibration and validation issues, as well as specific **localised** issues within the time constraints **of** the scheme. We have also taken cognisance of the requirements of the Joint Revenue Setting Committee's requirement to assess the impact of EARL and the potential level of abstraction of patronage and revenue along the alignment. The modelling methodology in **the** west would permit **the** optimum robust design to be developed for tramline 2, given the potential effect of EARL to further change modal split **and** operational demand both **on-street** along the corridor and within **the** wider area **associated with** tramline 2.

SDS Management (page 4)

- b) and b) PI and other insurances priced 'Included' – Costs require to be identified separately
- h) Co-location – Statement inserted in regard to potential saving of £140,000 – Please confirm saving
- i) Infraco procurement services priced as included – Costs require to be identified separately
- j) Inflation allowance – statement made ~~that~~ price inflation covered to end 2009 – Costs require to be identified separately
- k) Commissioning support priced as included – Costs require to be identified separately

SDS support for management of defects specifically excluded - statement that this is to be paid as Additional Provisional Work – This cost must be identified separately over and above the sums inserted.

Response similar to Line 1 and 2 response given above.

Further Scope: Costs Identified Separately (page 93)

Fees to Statutory and other bodies - £200,000 – Should not be regarded as Provisional Sum

Surveys - \$1,500,000 – Should not be regarded as Provisional Sum

Response similar to Line 1 and 2 response given above.

Line 2

SDS Management (page 6)

- c) and b) PI and other insurances priced 'included' – Costs require to be identified separately
- l) Co-location – Statement inserted in regard to potential saving of £140,000 – Please confirm saving
- m) Infraco procurement services priced as included – Costs require to be identified separately
- n) Inflation allowance – statement made that price inflation covered to end 2009 – Costs require to be identified separately
- o) Commissioning support priced as included - Costs require to be identified separately

SDS support for management of defects specifically excluded - statement that this is to be paid as Additional Provisional Work – This cost must be identified separately over and above the sums inserted.

Response similar to Line 1 and 2 response given above.

Further Scope: Costs Identified Separately (page 93)

Fees to Statutory and other bodies - £200,000 – Should not be regarded as Provisional Sum

Surveys - \$1,500,000 – Should not be regarded as Provisional Sum

Response similar to Line 1 and 2 response given above.

Programme Comments (Line 1 only)

- Programme shows no mobilisation period, previously indicated as a 4 week period
We have assumed appointment at mid June 2005 as per your indicative programme. A mobilisation period of 2 weeks will thus be available to establish office space and core team members at Abercromby Place. Please also note that the initial work period of 8 weeks concerns delivery of the Requirements Definition documents, which will be drafted by various members of the team for short duration inputs. The 4-week period refers to the period allocated for tie approvals.

We can report that the mobilisation process has already been initiated at PB, with resources now being assigned/reserved, to ensure a swift start when awarded. Over the last six months we have been awarded two major commissions in the UK and have significant experience of project set-up for large projects.

- "Tiger Team" not evident

The Tiger Team is a resource team and hence does not appear on the programme. The Tiger Team will be mobilised from the USA at the start of the commission to establish the project management facilities, operating plans and programmes, project protocols and procedures. These will be senior professionals covering inter-disciplinary work who will be dedicated to setting up the project; they will be staff who have set up major projects before, bring global best practice and have particular experience in LRT projects. This approach will release the project management and technical production resources from the start to focus on delivery of the Requirements Definition documentation. The Tiger Team will be available from Day 1 for a period of 6 weeks.

- The programme suggests that a significant level of "Output" is anticipated from day one to achieve ITT deliverables

The outputs reflect the programme requirements of tie. There are contractual and managerial requirements to establish programme management documentation at an early stage, the milestone deliverables for Requirements Definition documentation occur at close of week 8 (end August).