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Our Ref: ULE90130-SW-LET-00610

Your Ref: DEV-COR-81

17th April 2007

tie
City Point, 1st Floor
65 Haymarket Terrace
Edinburgh
EH12 5HD

Attention: Tony Glazebrook

Dear Tony,

tie Utilities/MUDFA Programme

SDS confirms receipt of tie letter ref DEV.COR-81 dated 7th March 2007 regarding the programme for Mudfa implementation. We confirm our response by indicating comment against the relevant paragraphs of the tie letter.

Page 1 of 3. Para 2.

tie text of letter below

"The content of your letter appears to overlook the key issue, which is that the SDS Utility designs have been issued considerably later than planned, primarily due to design delays and slippages from Halcrow, your sub-consultant. The impact of these delays has generated a necessity to review the overall Mudfa Programme, the prioritisation and the sequencing."

SDS cannot accept that a key issue of SDS letter ref ULE90130-SW-LET-00482 dated 28th February 2007 was missed. We additionally cannot accept that SDS utility designs have been issued "considerably later" than planned. We list below the dates of issue of the utility designs to the SUC's from Halcrow, our sub-consultant.

Section 1A - Issued 12/01/2007, Due 03/01/2007, 7 Business Days late
Section 1B - Issued 07/02/2007 On time
Section 1C - Issued 08/02/2007 On time
Section 3B - Issued 20/12/2006, Due 15/12/2006, 3 Business Days late
Section 3C - Issued 22/02/2007 On time

As may be seen clearly above, Section 1A was issued only 7 business days late and **not** as the assertion in tie letter ref DEV.COR-81 dated 7th March 2007 (stated as being 90 days late). May we kindly ask tie to check and confirm agreement with SDS on this period of time

We would advise tie that the late submission of Sections 1A and 3B were due primarily to the late issue (by tie) of C4 Notices to each Statutory Utility Company and the failure of tie to complete Agreements and



commercial negotiations with each Statutory Utility Company SDS has been unable to procure sufficient and timely information from the SUC's in order to further the Detail Design in accordance with the agreed design programme between tie and SDS. The reason and failure to procure the necessary information was due to a lack of assistance and manpower being provided by the SUC,'s. Although very helpful and co-operative, it is obvious that the SUC's have not been able to provide the correct staffing levels to support the project, in order to meet the tie master programme. Their lack of resources being the issue until signed Agreements and CA costings for administration, design and management have been agreed with tie.

We will demonstrate that design information was still being given to SDS by the Statutory Utility Companies for Section 1A in April 2007. Some 83 days after SDS issued their Detail Designs out to the SUC's. (ie SDS has designed at risk for our Client, in order to mitigate any potential programme delays that may have been incurred due to the late commercial agreements between each Statutory Utility Company and tie.)

With the above in mind SDS clearly state that we cannot accept the contents of the second paragraph of tie letter ref DEV.COR-81 dated 7th March 2007.

The original SDS letter ref ULE90130-SW-LET-00482 dated 28th February was written to highlight a further tie request to consider a reprogramming exercise to re-align the deliverables for the utilities programme but more importantly to advise tie that any reprogramming must be with the direct input of each Statutory Utility Company, such that we can identify the correct time period for review and acceptance/approval from them. SDS is aware that tie has had discussions with each Statutory Utility Company on the topic of the review and acceptance of SUC submissions (and the response priorities to be adopted) but we are yet to be formally provided with any written programme information or confirmation. It must be understood that without such written information, SDS cannot and will not be able to correctly manage the utilities design efficiently or effectively.

Considering the above paragraph, may we kindly request written confirmation of all sequential review priorities agreed with each Statutory Utility Company, along with the corresponding review periods agreed for these reviews.

Tie has entered in to legal Agreements with the SUCs which failed to define a response period for the consideration of designs submitted to them for approval. Given the co-operative nature of these Agreements and the ongoing dialogue with the SUC representatives, the SDS assumption of a 20 Business Day response period to our designs seemed reasonable at the time the Design Programme was drawn up. Tie confirmed agreement with the SDS assumption (in accepting our Design Programme) and we assume, following the relevant contractual discussions with the SUC's themselves. At no time did tie indicate any disagreement with the design review assumptions made by SDS. At the end of the day the SUC approval period will be whatever they decide and we have no option but to go along with it. As this has become apparent, updates to the SDS design programme have reflected this situation and will continue to do so.

Page 1 of 3, Para 3.

tie text of letter below

"tie has requested SDS to prioritise the section 1A trial site. The trial site designs were issued to the SUCs on the 12th January and the request therefore is that SDS focus on incorporating the comments received from the SUC's onto the drawings and spreadsheets, for this area."

All of Section 1A (excluding Constitution Street) was issued to the SUCs on 12/01/2007.



Within the agreed design programme between tie and SDS, there was never any Trial Site envisaged for Section 1A. tie is advised to kindly peruse the agreed Design Programme to gain this confirmation. This design work scope became a requirement from tie, in order to satisfy the relevant external stake holders. SDS do appreciate that tie must obviously respond to such political pressures.

Again, in accordance with the contract SDS has with tie, SDS requested the relevant change instruction to move away from the already agreed design programme between tie and SDS and provide full design team pressure on the small section of work known as Section 1A Trial Site. The instruction to produce the Trial Site design for BT, Scottish Gas and Scottish Water (CNS025) was received 28/02/2007. The responses from the two utilities required to give approval for the Section 1A Trial Site were received by close of business 02/03/2007. Please kindly note that the SDS Section 1 Design Team staff undertook 24 hour working in order to get the revised designs approved from the SUCs by 5 pm on the 02/03/07. SDS advised tie that this re-prioritisation would cause delay to the contractually agreed utilities design programme.

A further request to include an additional Scottish Power duct (confirmed, missed by tie in CNS 025) was received on 07/03/2007. This drawing was prepared and all of the Trial Site drawings were again co-ordinated and made ready to be issued on 08/03/07 pending the formal revised change instruction from tie. To date no such revised change instruction has been received by SDS from tie.

Page 1 of 3. Para 4.

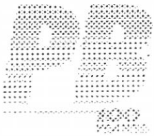
tie text of letter below

"The Trial areas were due to start on the 19th March 2007, however due to the delays to the completion of the designs, this was not possible and the date was moved into April."

The above sentence is not a true statement. tie programmed a date of 19th March 2007 to provide a Trial Area of Mufca construction work. This was outwith the contractually agreed programme between tie and SDS. No change order of work was given to SDS to prepare any site specific Trial Area such that a design could have been achieved for 19th March 2007. Please again note that the Change Instruction (CNS 025) to prepare the Trial Area design was received on 28/02/07. The design was completed and issued back to tie with the relevant confirmations from the SUC's along with IFC drawings on 08/03/07. If tie would kindly review the tie Design and Work Order Process, it can be clearly seen that following IFC drawings a construction time table would be required for the compilation of the work order pack – 28 days, Statutory Notice to Utility Companies – 28 days and Statutory Road Opening Notices (TTRC's) – 21 days (to run in parallel with SNUC's) – 21 days. This would give the absolute start on site date of 08/05/07 if the correct process was adopted. Administration processes were streamlined on the official time lines and the Trial Area was opened on 02/04/07.

May we also kindly make tie aware of minute 5.1 of the MUDFA Sub Committee Board Meeting dated 12th February 2007, which clearly shows the reason why the Trial Area work was moved into April. Scottish Executive made the Sub Committee Board Meeting aware that no construction work was to be carried out until ministerial decision making regarding the Tram Project was confirmed. In short, tie was not in a position to contract any construction work on 19th March 2007 as they did not have any ministerial permission or funding for the work.

With the above paragraph in mind, SDS object to the assertion that it was due to delays in the SDS design process that held up the Trial Area site.



Page 2. Para 4&5.

tie text of letter below

"In addition the SUCs, other than Scottish Water, are doing a substantial element of the detail design themselves and it is recognised that the alignment may change and impact on the utility diversions. However SDS could be more proactive and highlight the issues and risk areas to the SUCs and notify tie and the SUCs when alignments do change, the impact on the Utilities and offer solutions rather than assuming that the SUC will pick this information up on the drawing. The SUCs are not dis-engaged and are actively co-operating and trying to find ways to overcome some of the initial SDS design delays in submission of the information to them to try to meet the overall programme. This inevitably has led to the need to re-sequence and reprioritise works.

"It is a further concern that SDS has indicated that the Utility Designs are based on the pre-charrette and pre-DAP Preliminary Design Roads design which was not the intention for detail design or issues of information to the SUCs. Particularly since the charrette were agreed between tie and SDS in the middle of October 2006."

We do not accept that the SUCs are doing a substantial element of the detailed design themselves other than BT and even in that instance SDS are responsible for spatially locating their equipment and interfacing this design with other utilities. SDS do provide the SUCs with the latest track alignments once these are signed off through the RDVWG (Roads Design Working Group). This is particularly relevant in relation to the historic delays in resolving design solutions for the contentious areas (charrette or otherwise). We disagree that the charrettes were agreed in mid October and they continue to be a running sore in our attempts to conclude the design solutions in these areas. As regards "Initial SDS design delays", we have made it clear that despite a few Business Days late delivery on two of the nine design sections delivered to date, the substantive delays in obtaining SUCs approval is down to the commercial issues between tie and the SUC's and the delay in response by the SUCs themselves.

Page 3. Para 1.

tie text of letter below

"The SDS P3e programme was issued to the SUCs and tie understands that the general comment was that the programme was not aligned with the Construction Programme which had been issued to them by AMIS. The alignment of the SDS design programme with the AMIS construction programme is the essence of the Utilities contract and the ongoing discussions between SDS, tie and AMIS are the proactive partnering arrangements which are central to the MUDFA contract."

SDS were not invited to contribute to the development of the AMIS construction programme, moreover the programme has still not been issued to SDS by tie. Should tie wish to align the SDS design programme with the AMIS construction programme, which we understand was accepted by tie previously, SDS would obviously seek from tie the appropriate change instruction. The SDS contract with tie does not reflect any pro-active partnering arrangement with AMIS and in fact, unlike tie, SDS has no contractual relationship with AMIS.



We would, for the benefit of the project as a whole and to help support the Client, be happy, to sustain any design team interaction or exercise, in order to assist the Clients overall project objective. This must, however, be with the necessary understanding from tie that re-prioritising certain individual design sections and the fractionalising or further sectionalising of the already agreed design programme, will incur SDS with additional design and management costs (and time) and the relevant instruction from tie would need to be sought.

Yours sincerely



Alan Dolan
Parsons Brinckerhoff

cc Jason Chandler
Steve Reynolds
SDMs
David Plusa

Kim Dorrington
Jonathan Bice
David Simmons
Lee Thomson