



Mr Steve Hudson
Carillion Utility Services
The Malthouse
Elevator Road
Trafford Park
Manchester
M17 1BR

Our Ref: PD CORR 173

Date: 24 March 2009

Dear Steve,

CUS Issue: MUDFA Works

Follow up to Meeting held 6 March 2009 and Telecon 19 March 2009.

Further to our recent meeting and teleconference calls, I have listed below the key issues and status from tie's perspective.

Extended Hours and Weekend Work

Carillion confirmed the position that where staff are entitled to and are paid overtime, associated with a tie instruction, this requires reimbursement from tie. Taryn Lowe is to provide a schedule for tie's review and agreement.

tie accept this approach and look forward to receiving Taryn Lowe's proposed schedule,

Works Order Confirmation Notices

With regard to The Mound gas diversion works, tie and Carillion are agreed that any disruption to the Works will be evaluated in accordance with the principles agreed for disruption post September 2008.

However, Carillion committed to re-commence works immediately, not on the basis of drafting a response for agreement. Carillion need to follow through as they committed immediately.

A Works Order Confirmation Notice was issued to Carillion on 24 March 2009.

Programme

Following receipt of the Carillion Claims Settlement Agreement, tie has written under separate cover to grant an Extension of Time in line with Rev 7.09 of the Programme. This provides a corresponding adjustment to the long stop date.

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Interim Payment

tie confirm that we are currently reviewing the February valuation and will notify Carillion of the results of this review as soon as it is complete.

With regard to Carillion's request for additional payment in respect of delay and disruption claims, your email is not correct.

tie have agreed to pay £1.15m on Account, if the Performance Bond is provided before 30 March 2009 and if The Mound gas diversion works recommence, as promised, immediately.

tie agree that Carillion are to confirm details of the Performance Bond and associated process for agreement as a matter of urgency.

Disruption Post September 2008

The method for calculation was discussed as follows;

Total validated Labour and Plant Cost incurred;
less labour and plant 'earned value' from rates, prices and change control
less Carillion 'remedials'
less Carillion specific matters – such as disallowed costs.
= disruption (plus 8.8%)

To facilitate the above, the September 2008 Certificate will be used as the baseline. Initial summarised Cost Data has been provided by Carillion for October and November 2008 and **tie** has requested supporting information and calculation necessary to complete the review.

Specific areas to review and validate are;

- labour and plant records
- timing of cost accrual and actualisation for plant
- access to subcontractor payment details
- calculation for Carillion re-works
- calculation for "disallowed costs" e.g. service damage, default of Carillion obligations such as defective materials etc.

It is agreed that validation of costs will be by audit on a sample basis once the process of cost collection, allocation and data entry has been understood and agreed. If the audit identifies any anomalies a complete review will be required.

It is important to agree a deadline timetable for the agreement of any disruption from October 2008 to February 2009 inclusive. This is dependent upon the quality of this information provided by you – Please provide your proposals in this regard.

Yours sincerely,



Steven Bell
Project Director – Edinburgh Tram